

Office of Inspector General



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

Semiannual Report to the Congress

October 1, 2009, to March 31, 2010



Summary of OIG Accomplishments

Financial Results:

Questioned costs

Issued during the reporting period	\$132,000,000
Management decision during the reporting period	\$ 890,000

Recommendations for funds to be put to better use

Issued during the reporting period	\$ 0
Management decision during the reporting period	\$ 0

<u>Investigative monetary recoveries</u>	\$ 72,733
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Investigative Results:

Cases opened	58
Cases closed	48
Criminal actions	116
Administrative actions	29
Hotline and complaint activity	648

Reports Issued: 76

Picture on the front cover: Embassy Podgorica, Montenegro
Picture provided by Office of Overseas Buildings Operations

Requests for additional copies of this
publication should be addressed to:

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TABLE OF CONTENTS

MESSAGE FROM THE DEPUTY INSPECTOR GENERAL.....	1
EXECUTIVE SUMMARY.....	3
CONGRESSIONAL ACTIVITIES AND OUTREACH	13

DEPARTMENT OF STATE

MIDDLE EAST REGIONAL OFFICE	19
AUDITS	25
INSPECTIONS	27
INVESTIGATIONS	69
APPENDIX 1: INVESTIGATIVE ACTIVITIES	75
APPENDIX 2: REPORTS ISSUED	77
APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES	83
APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS	85
APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS.....	103
APPENDIX 6: MANAGEMENT AND PERFORMANCE CHALLENGES	105

BROADCASTING BOARD OF GOVERNORS

AUDITS	115
INSPECTIONS	117
INVESTIGATIONS	123
APPENDIX 1: BBG INVESTIGATIVE ACTIVITIES.....	125
APPENDIX 2: REPORTS ISSUED	127
APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES	129
APPENDIX 4: AUDITS PERFORMED BY CONTRACTORS.....	131
APPENDIX 5: MANAGEMENT AND PERFORMANCE CHALLENGES	133
LIST OF ABBREVIATIONS	137

MESSAGE FROM THE DEPUTY INSPECTOR GENERAL



Deputy Inspector General,
Harold W. Geisel

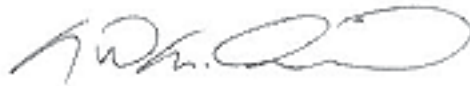
I am pleased to present the Office of Inspector General (OIG) Semiannual Report to the Congress for the Department of State (Department) and the Broadcasting Board of Governors (BBG). This report covers the period ending March 31, 2010, as required by the Inspector General Act of 1978, as amended.

When people ask me what I do at OIG, I respond that the best part of my job is supporting the good work we are doing, and watching the positive impact of that work on the Department and BBG. It is particularly gratifying to see that appreciation shared by the Department, Office of Management

and Budget (OMB), and Congress, who have matched a rapid increase in demand for our work with the resources we need to get the job done. Since my return almost 2 years ago, OIG funding has more than doubled. Nearly half of the increase has come from supplemental funding for oversight of Department and BBG operations in Iraq and Afghanistan, Pakistan, Gaza, and elsewhere in the Middle East, and of more than \$600 million in Department projects funded by the American Reinvestment and Restabilization Act (ARRA). These resources have allowed OIG to stand up on-the-ground operations in some of the Department's most challenging and vulnerable locations—Baghdad, Kabul, and Islamabad. They also provide timely, relevant information on some of its most costly and high-risk programs, including counternarcotics programs in Afghanistan and Pakistan, design and construction of the new embassy compound in Baghdad, and management of the Department's information security, overseas laptop inventory, and IT consolidation efforts.

We still face the challenge of translating these increases into stable, sustained operations for the future. The supplemental funding that has allowed us to accomplish so much is a double-edged sword. On one hand, it has allowed us to quickly establish essential operations, including our Middle East Regional Office and Middle East Investigative Branch, and to expand our ability to respond to the myriad of unanticipated, quick-response requests that are an inevitable by-product of government operations. On the other hand, maintaining these gains requires the stability of base funding if our enhanced capabilities are not to expire with the end of the fiscal year.

We continue to work with the Department, BBG, OMB, and Congress to ensure we can meet their expectations for responsive, relevant, timely oversight to inform critical decisionmaking. Those expectations include employees who trust us to keep their confidences and examine their issues fairly; posts and bureaus that depend on us to bring their problems and challenges to the attention of management; and Congressional members and staff who look to us for expert and impartial opinions on operations of the Department and BBG. Most importantly, they know they can trust us to tell them not just what they want to hear, but what they need to hear. As Senator Alan Simpson observed, “If you have integrity, nothing else matters. If you don’t have integrity, nothing else matters.”

A handwritten signature in dark ink, appearing to read "H. W. Geisel", with a stylized, looping flourish at the end.

Harold W. Geisel
Deputy Inspector General

EXECUTIVE SUMMARY

The auditors, inspectors, investigators, and other professionals in the Office of Inspector General (OIG) promote effective management, accountability, and positive change in the Department of State (Department), the Broadcasting Board of Governors (BBG), and the foreign affairs community. During this reporting period, OIG issued 76 reports with recommendations to improve the Department and BBG programs and operations, and identified more than \$132 million in cost efficiencies—including questioned costs, fines, and recoveries. A full list of reports issued during this period can be found in Appendix 2 of each agency section of this report.

The following Semiannual Report to the Congress (SAR) summarizes work carried out by OIG during the period of October 1, 2009, through March 31, 2010.

MIDDLE EAST REGIONAL OFFICE

During this SAR period, OIG's Middle East Regional Office (MERO) issued two reports on the Department's counternarcotics programs in Afghanistan and Pakistan. The first performance audit centered on management and oversight by the Bureau of International Narcotics and Law Enforcement Affairs (INL) of programs to combat poppy cultivation and the illegal drug industry in Afghanistan. Following the audit, OIG recommended the Department define an end state for counternarcotics programs, improve coordination, and take steps to strengthen INL's oversight and contract management. In the second performance audit, OIG examined the Air Wing program that provides support for counternarcotics activities and other missions in Afghanistan and Pakistan. OIG recommended actions to improve contract oversight, as well as development of a work breakdown structure in the contract for the Air Wing program in Afghanistan.

MERO also performed two limited-scope reviews. The first review focused on use of funds for construction of a heated parking garage and recreation center at Embassy Astana in Kazakhstan. In the second review, which was congressionally requested, OIG found that the Bureau of Population, Refugees and Migration (PRM) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) had investigated and verified that all UNRWA employees elected to the teachers union met the guidelines set forth in Section 301(c) of the 1961 Foreign Assistance Act, as amended.

MERO and the Department of Defense (DOD) Inspector General issued a joint report on training of the Afghan National Police (ANP). The teams reviewed DOD funds provided to the Department of State for training the ANP, contract management, and the ANP training program's ability to address security needs in Afghanistan. OIG and the DOD Inspector General found the current contract does not meet DOD's needs in developing the ANP to counter the rising insurgency. The Inspectors General also found ineffective internal controls which led to weaknesses in the Department's contract oversight and management. OIG recommended conducting an audit to determine the status of funds provided by DOD; strengthening internal controls over contract administration, oversight, and financial reporting; and increasing support for the Afghan women's police corps.

In its performance audit of the Department's contract with Triple Canopy for the Baghdad Embassy Security Force, OIG found that although the contract was generally well-managed by the Bureau of Diplomatic Security (DS), there were some weaknesses in contractor performance and DS's contract management. In addition, the guards were housed unsafely, and no entity was overseeing housing safety. OIG made recommendations to strengthen Triple Canopy and guard performance, improve oversight of guard accommodations, and analyze future security needs.

OFFICE OF AUDITS

In the second of two OIG reviews of contracts related to the design and construction of the new embassy compound (NEC) in Baghdad, Iraq, OIG, with technical assistance from a team of engineers from the U.S. Army Corps of Engineers (USACE), examined five contracts awarded to First Kuwaiti Trading and Contracting for about \$470 million. These contracts were administered by the Emergency Project Coordination Office (EPCO) during construction. The audit reported that the quality of NEC construction was significantly deficient in multiple areas because designs for the facilities had not been completed and approved, and quality control and commissioning procedures were inadequate. OIG estimated that the Department should attempt to recover approximately \$43.5 million for work needed to bring construction deficiencies up to contract standards and approximately an additional \$33 million for incomplete and undocumented design work. OIG also identified First Kuwaiti's inadequate quality control program as resulting in additional maintenance charges of approximately \$38 million over 15 years. OIG recommended that the Department attempt to recover approximately \$3.8 million from the contractor because commissioning activities either were not performed or were performed incorrectly.

Also, as a separate stand-alone organization, EPCO did not adequately discharge its contract administration responsibilities during the construction of the NEC. As a result, construction deficiencies prevented the contracts from being completed on time, and Embassy personnel could not move as planned to the more secure facilities at the NEC. Furthermore, EPCO did not require First Kuwaiti to pay approximately \$10.9 million in liquidated damages. EPCO also approved \$69.1 million in advance mobilization payments that were not authorized by the contracts and did not require First Kuwaiti to pay approximately \$3.3 million in interest charges for the use of those funds.

In its report on laptop computer inventories at four of six posts included in its audit, OIG found the inventories to be inaccurate and incomplete. Specifically, of the 706 laptops reported in the six posts' official inventories, 37 laptops were missing. Also, 106 laptop computers were not included in the official inventory, of which 96 were being used. Post officials reported that the remaining 10 laptop computers were stolen or missing. An additional nine laptops had been missing at one post for 6 to 8 years, and had been improperly removed from the official inventory in 2008. The files of 154 laptop users showed that only 55 files contained sufficient documentation to support that the users had received the required laptop cyber security awareness briefings, and 40 of 71 laptop users stated that they had not received the briefing.

Furthermore, of 350 laptops tested, only 298 laptops had been encrypted, which violated the Department's 100 percent encryption requirement to install required encryption software onto the hard drives of each laptop. Because of the deficiencies noted, the likelihood that laptops could be misplaced, lost, or compromised was increased, and the lack of security training and encryption poses security vulnerabilities that personally identifiable information or potentially sensitive information about Department operations could be compromised if the computers are lost or stolen.

To improve the Department's information technology (IT) effectiveness, the former Secretary of State announced a decision in 2007 to consolidate the Department's desktop computer services and support under the Bureau of Information Resource Management (IRM) within 2 years. OIG conducted an evaluation to determine whether the intended benefits of the consolidation were being achieved. Although customer service was the IT Consolidation Program Management Office's (PMO) number one priority in pursuing IT consolidation, customer service surveys revealed that more than 80 percent of bureau executives and IT staff were more satisfied with the IT support provided by their respective bureau IT staff prior to consolidation.

The PMO did not develop business, user, system, or performance requirements required by project management guidelines. The Chief Information Officer did not make the policy changes necessary to address issues such as the ownership transfer of pre-existing IT plans of action and milestones, inventory control, and information system security officer responsibilities. In addition, IRM did not control which bureau IT personnel were reassigned to the IRM customer service helpdesk after consolidation, and the Department did not have actual or accurate comparative cost information to demonstrate whether consolidating services resulted in reduced costs for desktop support services and systems maintenance, which was a primary goal of the Project. OIG determined the benefits of IT consolidation have not been fully realized, and the manner in which IT consolidation has been implemented could be improved. The improvements will require an open and cooperative relationship between IRM and the bureaus, including IRM's attention to outstanding customer service and cost issues, and to participating bureaus' resistance to discussions. OIG made recommendations to address these deficiencies.

OIG contracted with independent external auditors to audit the financial statements of the Department. Financial management continues to be a major challenge in the Department. Because the Department was unable to provide sufficient and timely evidential support for amounts related to property, equipment, and budgetary resources, the external auditor was unable to issue an overall unqualified opinion on the Department's FY 2009 financial statements. In addition, the auditor reported three material weaknesses related to a restatement of the FY 2008 financial statements, accounting for property and equipment, and financial reporting. The auditors also identified significant deficiencies related to accounts payable accruals, the validity and accuracy of unliquidated obligations, and the information technology control structure.

OFFICE OF INSPECTIONS

During this semiannual reporting period, OIG conducted 36 reviews, which included full inspections of overseas missions, and compliance follow-up and limited-scope reviews, where OIG identified best practices as well as potential cost efficiencies and other improvements. OIG also conducted security inspections for 19 overseas missions, which are summarized in the classified annex of this report.

OIG's *Inspection of Bureau of Public Affairs*, found that within his first 6 months, the Assistant Secretary began to strategize with the deputy assistant secretaries on bureau reorganization and to assess problems that had predated his arrival. However, he had not communicated his strategic vision to all bureau personnel. Lack of internal com-

munication, inadequate oversight of bureau management, and unresolved personnel problems had contributed to low bureau morale and higher-than-average employee attrition. Ten years after public diplomacy was moved into the Department from the former U.S. Information Agency, public diplomacy had not received sufficient attention within the bureau. The Bureau of Public Affairs should look for additional opportunities to factor the perceptions of foreign media into the crafting of public statements and in other aspects of its work. Maximization of various media offices such as the Office of Press Relations, the Foreign Press Centers, the U.S. Agency for International Development's media components, and the Office of Broadcast Services needed to be a central goal for the bureau in executing its key media relations activities. The bureau's small offices charged with electronic and digital communication sent out foreign policy messages using a range of new media tools. The effectiveness of these offices would be enhanced by reorganization and additional staffing to support this emerging, high-profile public affairs responsibility. The inspection made a number of recommendations to address these issues and improve overall operations in the bureau.

OIG's *Inspection of Embassy Kabul, Afghanistan* found the Ambassador and his leadership team had made impressive progress in their first 6 months in Kabul, implementing the Administration's plans for a massive civilian plus up to support the large increases in assistance programs, while experiencing virtually 100 percent turnover of American staff, supporting international facilitation of the Afghan presidential elections, and participating in the Administration's Afghanistan policy review. Even with this able leadership, the best of intentions, and the most dedicated efforts, Embassy Kabul faced serious challenges in meeting the Administration's deadline for "success" in Afghanistan, which constrained new personnel's ability, in the short term, to promote stability, good governance, and rule of law. The embassy's sizable official visitor support workload taxed the same military and civilian assets that would otherwise be deployed in the vital counterinsurgency and reconstruction efforts that the visitors sought to evaluate. OIG recommended that Embassy Kabul include all the new positions and resources that it needs to carry out its counterinsurgency strategy in the FY 2012 Mission Strategic Plan.

Embassy Kabul's management section was remarkably adaptable and responsive in an atmosphere of massive personnel surges (from 320 U.S. executive branch employees to approximately 900 by early 2010), constant reinvention, and multiple construction and infrastructure projects, but was adversely affected by lapses in oversight that resulted in significant management control weaknesses, particularly in the travel program, voucher review, and contracting. Embassy oversight of contracts and grants was seriously hampered by the dangerous security conditions that precluded onsite visits outside of Kabul as well as by the shortage of qualified contract officer

representatives in Kabul and local staff trained in grants management. Staffing in the public affairs section was inadequate to handle the huge increase in public diplomacy funding for new programs. The report includes a number of recommendations to address these concerns.

The *Inspection of Humanitarian Mine Action Programs in Afghanistan* found the Department's Humanitarian Mine Action/Weapons Reduction program in Afghanistan was effectively designed and managed by the Bureau of Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA). The Department and Embassy Kabul needed to improve coordination on mine action among all appropriate agencies and programs of the U.S. Government. The embassy must ensure that mine action official personnel have the transportation and security resources to monitor effectively contractor performance in the field. The Department's contractor for mine action and conventional weapons and ordnance destruction, DynCorp International, fulfilled the terms of its contract, and the six humanitarian mine action nongovernmental organizations (NGOs) that received Department funding merited further support. PM/WRA had sound plans for the next mine action contract period, and needed to provide close oversight of the transition to a new mine action contract to assure smooth program continuity and proper accountability of U.S. Government property. PM/WRA had also done a good job in Mine Risk Education and Victim Assistance, and these programs should continue. The international community goal of a "mine-free" Afghanistan by 2013 is unrealistic and is not in keeping with the U.S. approach to mine clearance, which seeks a "mine impact-free" end state.

OIG inspected the three U.S. missions in Brussels, Belgium, during this semiannual period, and issued the *Inspection of Embassy Brussels*, *Inspection of U.S. Mission to the North Atlantic Treaty Organization (USNATO)*, and *Inspection of U.S. Mission to the European Union (USEU)*. The team also prepared a report summarizing issues of mutual concern for the three missions.

OIG's *Inspection of Tri-Mission Coordination, Brussels, Belgium* found a growing convergence in the agendas and priorities of the Brussels Tri-Mission—embracing a widening range of issues. OIG recommended that the missions develop a plan for expanding and formalizing communication and coordination among the missions on issues where their respective policy agendas converged. Given the importance of the joint administrative services (JAS) section to the functioning and morale of all three missions, the leadership of all three should assume greater collective responsibility for overseeing and supporting JAS. Over the next 10 years, the continued expansion of U.S. relations with the European Union will generate increases in staffing; Brussels and the Department needed to define more precisely their expectations for future

office space and how they could be met. The European Media Center (“the Hub”) was becoming a useful catalyst and platform for expanding U.S. media outreach in Europe. Its role was distinct from, but complementary to, those of the public diplomacy units of the three missions, each of which was fulfilling an important need.

OIG also conducted compliance follow-up reviews (CFR) to provide Department of State senior managers with progress reports on the status of inspection recommendations and provide OIG with a quality assurance assessment of its work.

OFFICE OF INVESTIGATIONS

OIG investigations within this reporting period included allegations of conflict of interest, embezzlement, and employee misconduct. This investigative work resulted in 16 referrals for prosecution; sentencings resulting in 84 months total of imprisonment and probation; 5 indictments; 5 convictions; 15 administrative referrals; and more than \$70,000 in recoveries. As a result of a new OIG investigative initiative, an OIG investigation into a Defense Trade Controls violation resulted in a private firm entering into a civil settlement and agreeing to pay a \$15,000 fine. Another OIG investigation determined that more than \$100,000 was embezzled by two employees of a facility of the International Boundary and Water Commission. OIG also gave 12 fraud awareness presentations to approximately 800 Department and BBG employees.

On March 20, 2008, the Under Secretary of State for Management requested that OIG conduct an investigation after news media reports indicated the passport files of three presidential candidates had been improperly accessed by three different Department contract employees on three different occasions through the Passport Information Electronic Records System (PIERS). OIG subsequently received additional information that improper accessing of PIERS records was widespread and involved many Department employees and contractors. During this reporting period OIG investigations involving this issue resulted in seven separate criminal prosecutions.

Oversight Activities in Support of the American Recovery and Reinvestment Act

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA) of 2009, which was enacted to preserve and create jobs, assist businesses and individuals most seriously affected by the recession, increase economic efficiency, and stabilize State and local budgets. The legislation established new reporting requirements to promote transparency and accountability in the awarding and use of ARRA funds and mandated that OIGs provide oversight and audit and review programs, grants, and activities funded by the Recovery Act. The \$787 billion appropriated in the legislation included \$600 million in funding for infrastructure improvements at the Department of State—\$90 million for Diplomatic and Consular Programs, \$290 million for the Capital Investment Fund, and \$220 million for International Boundary and Water Commission construction—as well as \$2 million for OIG oversight to audit, evaluate, and monitor expenditure of Department ARRA funds.

OIG is an active participant in the Recovery Accountability and Transparency Board's (RATB) Working Group, which coordinates oversight activity and reporting related to ARRA's accountability and transparency requirements. During this period, OIG issued reports related to its participation in two government-wide reviews, coordinated by RATB and the IG community, to monitor the Federal Government's ability to meet the requirements of the Recovery Act.

Review of Policies and Procedures for Implementing the American Recovery and Reinvestment Act of 2009 at the Department of State (AUD/PP-10-07)

Based on information provided by Department officials, OIG found the Department had made satisfactory progress in applying Recovery Act requirements and guidance from the Office of Management and Budget for reporting and monitoring the use of Recovery Act funds. Specifically, Department officials developed policies, procedures, and plans to review quarterly Recovery Act data; ensured that quarterly reports were filed by funds recipients; and conducted required reviews of those reports. Furthermore, policies, procedures, and plans were in place to avoid key data problems, remediate systemic reporting problems, and use the reported data to help assess compliance by recipients of Recovery Act funds with the terms and conditions of contract award agreements.

Review of the Department of State Plan to Provide Qualified Contracting Officers and Contracting Officer Representatives for Oversight of American Recovery and Reinvestment Act Projects
(ISP-I-10-26)

The Department is responsible for ensuring that there are sufficient well-qualified and appropriately trained contracting officers and contracting officer representatives to manage and provide the proper oversight for the ARRA contracts. The Office of Acquisitions Management and the senior procurement executive in the Office of the Procurement Executive play a major role in ensuring that ARRA funds expended by the Department are spent in accordance with relevant acquisition policies and programs.

An OIG inspection found the Department was coordinating well among all the responsible offices and parties that played a role in providing oversight of the ARRA funds, including the contracting officers and contracting officer representatives. However, the Department could improve implementation of federal procurement policies, immediately improve its mechanisms for tracking training requirements for its contracting officers and contracting officer representatives before additional ARRA contracts are awarded, and minimize any risk associated with the qualifications of the contract employees who are administering these contracts.

Copies of these reports and other ARRA-related oversight activities can be found on OIG's Recovery Act Home Page (<http://oig.state.gov/arra/index.htm>).

INTERNATIONAL BROADCASTING

OIG performed an independent evaluation of the information security program at BBG and assessed performance in areas that included certification and accreditation (C&A), plans of action and milestones (POA&M), security awareness and training, configuration management, inventory, incident reporting, and privacy requirements. Although BBG has taken steps to improve management controls since FY 2008, BBG needs to make further improvements that include:

- Developing policies and procedures for C&A, and conducting C&A on all of BBG's "moderate-level" systems, as categorized in Federal Information Processing Standards (FIPS) Publication 199.
- Ensuring that all weaknesses identified during reviews and that require remediation are tracked in BBG's POA&M system.

- Creating and implementing POA&M policies and processes that are in compliance with applicable guideline.;
- Ensuring that milestones include reasonable scheduled completion dates, timely tasks, and progress steps.
- Requiring that each weakness identified include estimated costs needed for remediation and that the estimates, along with the severity of the weaknesses, be used to prioritize the weaknesses for timely correction.

Other improvements pertained to requiring Federal employees and contractors to take security awareness training before they are granted system access.

During the audit of BBG's annual financial statements as of September 30, 2009 and 2008, and for the years then ended, the independent auditor issued an unqualified opinion, but the report brought to management's attention three significant deficiencies related to internal control over the financial and accounting system, accounts payable, and property. In a management letter related to the audit of BBG's 2009 and 2008 financial statements, the independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to undelivered orders, government purchase cards, grants management, information security, non-personnel expenses, and accounts receivable. The external auditor recommended that BBG take appropriate action to address these weaknesses.

In its inspection of BBG's grantee organization, the Middle East Broadcasting Networks, Inc. (MBN), OIG found that since its launch in 2004, MBN's Alhurra Television and Radio Sawa have hired staff and established strategic direction and structure. MBN has evolved into a mature media organization, but there is still room for progress. The MBN security program was managed effectively in spite of an apparent lack of resources. The public debate about MBN has focused on the effectiveness of Alhurra Television and Radio Sawa. The current audience research measures credibility and audience numbers. Expanding the research mix could enhance MBN's understanding of its impact and ways to be more effective in the region. Communication in the newsroom needed improvement. Many staff felt that senior news management should improve responsiveness, decisiveness, and transparency. MBN has made significant progress in organizing human resources management; solving numerous personnel-related problems; and beginning to establish standardized procedures despite having vacancies in two key positions, which impeded progress.

CONGRESSIONAL ACTIVITIES AND OUTREACH

TESTIMONY AND BRIEFINGS

During this reporting period, OIG briefed Congressional staff on a number of its reports and issues, including:

- Oversight of the President's Emergency Plan for AIDS Relief (PEPFAR) (House Foreign Affairs Committee and Senate Appropriations Foreign Operations Subcommittee);
- OIG's Inspection of the Bureau of African Affairs (Senate Foreign Relations Committee);
- Resourcing and OIG hiring authorities (Senate Foreign Relations Committee);
- OIG's plans to review or audit Department policy and activity prior to the December 25, 2009, attempted airline bombing (House Oversight and Government Affairs Committee);
- OIG oversight activities and plans for Afghanistan (Senate Appropriations Foreign Operations Subcommittee); and
- The fairness of the Foreign Service Selection Board process (House Foreign Affairs Committee). This inquiry coincided with the release of ISP's *Review of the Integrity and Fairness of the Foreign Service Selection Board Process* (ISP-I-10-47, March 2010), which was provided to the committee.

CONGRESSIONAL MANDATES

As mandated by the Chief Financial Officers Act of 1990 (P.L. 101-576, as amended), OIG directed and monitored the following financial statement audits and other work conducted by an independent external auditor:

- AUD/FM-10-01 *Independent Accountant's Report on the Application of Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report*

- AUD/FM-10-02 *Independent Auditor's Report on the U.S. Department of State Special-Purpose Financial Statements*
- AUD/FM-10-03 *Independent Auditor's Report on the U.S. Department of State 2009 and 2008 Financial Statements*
- AUD/IB-10-04 *Independent Auditor's Report on the Broadcasting Board of Governors 2009 and 2008 Financial Statements*
- AUD/FM-10-18 *Management Letter Related to the Audit of the U.S. Department of State 2009 and 2008 Financial Statements*
- AUD/IB-10-19 *Management Letter Related to the Audit of the Broadcasting Board of Governors 2009 and 2008 Financial Statements*

As mandated by 21 U.S.C. § 1704, OIG issued the report AUD/FM-10-17, *Independent Review of the U.S. Department of State's Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report*.

As mandated by the Federal Information Security Management Act of 2002 (FIS-MA) (44 U.S.C. § 3545), OIG issued the reports *Review of the Information Security Program at the Department of State*, AUD/IT-10-10, and *Review of the Information Security Program at the Broadcasting Board of Governors*, AUD/IT-10-09.

CONGRESSIONAL REQUESTS

In response to a request from Congressmen Mark Kirk and Steven Rothman, along with seven other members of Congress, in February 2010, OIG issued the *Limited-Scope Review of the Bureau of Population, Refugees and Migration's Oversight of the United Nations Relief Works Agency for Palestine Refugees in the Near East in Gaza* (MERO-I-10-04).

At the request of Senator Daniel Inouye, Chairman of the Committee on Appropriations' Subcommittee on Defense and Senator Thad Cochran, Vice Chairman, the Department of State OIG and the Department of Defense Inspector General completed an audit of the Afghan National Police training program. The joint report, *DOD Obligations and Expenditures Provided to the Department of State for the Training and Mentoring of the Afghan National Police* was issued in February 2010.

LEGISLATION MONITORED

OIG reviewed and monitored a number of legislative proposals including the following legislation during this semiannual report period:

- P.L. 111-117 (H.R. 3244), Consolidated Appropriations Act, 2010.
- P.L. 111-73 (S. 962, H.R. 3642), *Enhanced Partnership with Pakistan Act of 2009* (unfunded).
- P.L. 111-32 (H.R. 2346), the *2009 Supplemental Appropriations Act*, P.L., enacted on June 24, 2009, which provides OIG with \$10.9 million in supplemental funding for oversight activities in the Middle East and South Asia.
- P.L. 111-84 (H.R. 2647), *National Defense Authorization Act for Fiscal Year 2010*, as it pertains to Inspector General subpoena power.
- P.L. 111-5 (H.R. 1), *American Recovery and Reinvestment Act of 2009*, which provides OIG with \$2 million to provide oversight for \$602 million provided to the Department of State under the Act.
- P.L. 110-417 (S. 2001), *Duncan Hunter National Defense Authorization Act for Fiscal Year 2009*, as it pertains to joint oversight issues.
- H.R. 2410, *Foreign Relations Authorization Act, Fiscal Years 2010 and 2011*. Not enacted.

MEDIA ASSISTANCE

During this semiannual period, OIG made its reports available to the media both directly and online through regular postings on its external Web site. A new “Recently Posted Items” link added to the OIG homepage allows for quicker, easier access to OIG’s latest reports.

Media expressed interest in a broad range of OIG activities and initiatives, resulting in 35 direct responses to 16 different issues. Listed in order of interest, the issues that drew the greatest number of media inquiries were:

- Audit of the design and construction of the new embassy compound in Baghdad, Iraq;
- Varying questions related to contractors, including performance issues related to Blackwater (USTC), AGNA, ArmorGroup, First Kuwaiti, and DynCorp;

- Investigation into allegations that the U.S. International Boundary and Water Commission violated laws and regulations, including a \$220 million Recovery Act program to raise levees along the river;
- Inspection report on Embassy Kabul;
- Investigation into unauthorized employee access to personal information through the Passport Information Electronic Records System; and
- OIG efforts to oversee Department monitoring of global trafficking in persons.

There were additional media inquiries during the reporting period, to include: an inquiry regarding the reason for an inspection of the Middle East Broadcasting Network; a congressional call for an investigation of misconduct allegations against ArmorGroup; the arrest of a Department employee suspected of accepting kick-backs in Iraq; OIG's inspection of the Department's youth programs; the annual audit of the Department's financial statements; OIG's limited review audit of premium travel by the Bureau of Oceans and International Environmental and Scientific Affairs; MERO's performance audit of the Blackwater (USTC) Worldwide Personal Protective Services contract in Afghanistan; and past inspections/reviews conducted by OIG on public diplomacy.

Deputy Inspector General Harold W. Geisel, Assistant Inspector General for Inspections Robert Peterson, and Assistant Inspector General for MERO Richard "Nick" Arntson were interviewed by several media outlets.

- Mr. Geisel appeared on the March 16 broadcast of C-SPAN's "Washington Journal," responding to questions from the host, as well as a nationwide call-in audience, on OIG's Embassy Kabul inspection report.
- Mr. Arntson interviewed with the Huffington Post Investigative Fund and Salon.com on the joint MERO-DOD audit of Afghan National Police training, and with The Washington Post/Center for Public Integrity on OIG's oversight efforts regarding trafficking in persons.
- Mr. Peterson interviewed with The Washington Post on staffing issues raised by the Embassy Kabul inspection report.

OUTREACH

On March 19, 2010, OIG hosted a visit by Ambassador Victor Har'el, Inspector General of the Israeli Ministry of Foreign Affairs, and several of his colleagues from Tel Aviv and the Israeli Embassy in Washington. Deputy Inspector General Harold W. Geisel participated in the sessions with support from OIG senior staff.

U.S. DEPARTMENT OF STATE

MIDDLE EAST REGIONAL OFFICE

Effectiveness and Efficiency of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Pakistan (MERO-A-10-01)

In a November 18, 2009 memorandum, OIG reported it had reviewed information from the Bureau of International Narcotics and Law Enforcement Affairs (INL), interviewed U.S. and Pakistani officials, and found INL had achieved many of its program objectives. However, due to limited time and security concerns in Pakistan's Federally Administered Tribal Areas (FATA), the OIG team was unable to conduct all necessary site visits that would have allowed direct observation of INL's work. From the information the team was able to gather, OIG concluded that the major impediment to obtaining poppy-free status in Pakistan is the breakdown in security, which has negatively affected road projects, alternative crop programs, and poppy eradication, especially in the FATA. As part of its audit, OIG also reviewed documents and conducted interviews at aviation facilities in Quetta, Pakistan and at Patrick Air Force Base in Palm Bay, Florida. The results of this work are included in MERO-A-10-03.

Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan, Performance Audit (MERO-A-10-02)

In its performance audit, OIG found the Department had not clarified an end state, engaged in long-term planning, or established performance measures for its counternarcotics programs in Afghanistan. OIG also found that the U.S. military has begun to engage more heavily in counternarcotics activities. This increased military involvement will decidedly affect the scale of the Department's counternarcotics programs as well as its overall role. Further, there is no agreement on appropriate roles for either civilian agencies or the U.S. military. The Department has also failed to plan for transitioning responsibility for counternarcotics programs to the Afghan Government, should funding not be sustainable at current levels. While some progress has been made in the fight against illicit narcotics in Afghanistan, successes are difficult to quantify. OIG also found INL lacks in-country monitoring of its seven

counternarcotics contracts. Examination of four contracts revealed some weaknesses in performance measurement and setting of unrealistic goals. Coordination among agencies involved in counternarcotics efforts is informal and depends on individuals. There is limited collaboration and information sharing between Embassy Kabul and Embassy Islamabad, and no significant cooperation between the embassies on critical issues.

OIG recommended the Department define an end state for counternarcotics programs in Afghanistan, with objectives, performance measures, and milestones; and establish benchmarks to transition responsibilities for counternarcotics programs to the Afghan Government. To improve coordination, OIG recommended reinstituting regularly scheduled meetings and communicating with provincial reconstruction teams. To strengthen contract oversight and contractor performance, the Department should develop a workforce plan to ensure appropriate personnel are assigned as in-country contracting officer's representatives (COR), direct-hire staff at Embassy Kabul, and to carry out programs in the poppy-producing southern provinces; make certain in-country CORs periodically assess contractor performance and its impact; ensure contract files are properly maintained and accessible; and make counternarcotics contracts more accurate and specific.

The Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan, Performance Audit (MERO-A-10-03)

The Air Wing program in Afghanistan effectively provides aviation support for INL's counternarcotics efforts and other missions. To date, the contractor, DynCorp, has safely met its contracted air support requirements, sustained the required aircraft readiness rate, used appropriate maintenance and flight scheduling systems, and properly inventoried U.S. Government-furnished equipment. OIG noted weaknesses in the INL Office of Aviation's (INL/A) contract and management oversight, including lack of on-site verification of contract deliverables and cost reports. A COR from INL/A has never been to Afghanistan, and there are no plans to send one. The performance-based contract awarded in 2005 lacked specific performance requirements, and until 2009, DynCorp worked in Afghanistan under general and outdated requirements, hindering program efficiency. Further, a performance-based contract may not be the ideal vehicle to manage and oversee such a complex program.

In Pakistan, the Air Wing program has been generally effective in providing critical air support including a variety of missions for the Pakistan Government. However, DynCorp has had problems meeting flying hour goals. OIG was unable to determine whether the Pakistan Government is adhering to the terms of a letter of agreement

regarding use of INL/A aircraft. The senior aviation advisor in Pakistan reports directly to the INL/A COR in the United States on all contractual issues, but the COR has never been to Pakistan. This situation potentially weakens management and internal controls. OIG also learned that neither INL/A nor DynCorp knows who owns the Air Wing information system or its contents.

OIG recommended Embassy Kabul and Embassy Islamabad assign U.S. Government direct-hire employees to supervise personal services contractors in Afghanistan and Pakistan. The Office of Acquisition Management, in consultation with INL, should develop a work breakdown structure for the Air Wing program in Afghanistan. INL should amend the Air Wing contract with DynCorp to clarify ownership of the Air Wing information system and ensure access rights to its data.

The Bureau of Diplomatic Security Baghdad Embassy Security Force Performance Audit (MERO-A-10-05)

The Department's contract with Triple Canopy for the Baghdad Embassy Security Force is generally well-managed by the Bureau of Diplomatic Security (DS). However, OIG found areas in which the contractor's performance and DS's contract management need improvement. Triple Canopy's training records for guards and guard supervisors were incomplete, and in various locations. There were weaknesses in the subcontractor's training of explosive detection canines and storage of testing materials. Despite overall satisfactory contract management, OIG found the COR does not sufficiently check attendance or verify personnel rosters (muster sheets), contractually required standards for guards' English language proficiency are not enforced, and DS lacks criteria for the number of consecutive days guards can work.

OIG also found that Triple Canopy guards were unsafely housed in crowded barracks and shipping containers that failed to meet fire safety standards. No entity was overseeing housing safety, although both Triple Canopy and the Department are required to do so. (DS later informed OIG that the guards were being moved out of this temporary housing.) OIG determined the U.S. Government could potentially save approximately \$20 million over the next 2 years with an appropriate reduction in the security force



Shipping containers the guards were housed in



Interior of containers/house

in Baghdad that accounted for all site closures. The Department has no plan for integrating Iraqi nationals into the embassy guard force, which would significantly reduce costs. The isolated USAID compound in Baghdad will create a security risk for guards traveling to and from the site.

OIG recommended standard operating procedures to maintain contractor training records; an independent canine expert to verify annually the capabilities of explosive detection canines and determine compliance with Department of the Treasury standards; random, thorough, and unannounced monthly checks of contractor performance; review and verification of muster sheets; assessment of English proficiency levels; development of criteria for the amount of rest and number of days off for guards; regular inspections of guard housing; an analysis of current and future site protection needs in Baghdad; and an analysis to determine if the planned relocation of the USAID compound can be moved up.

Department of Defense Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police (MERO-A-10-06)

The objective of this congressionally requested joint audit was to review Afghanistan Security Forces (ASF) funds provided by the DOD to the Department for training the Afghan National Police (ANP), contract management activities, and the ability of the ANP training program to address security needs in Afghanistan. OIG and the DOD Inspector General found that the Department's Civilian Police contract does not meet DOD's needs in developing the ANP to counter the rising insurgency in Afghanistan. The Inspectors General found that the Department's internal controls were ineffective, which led to weaknesses in contract oversight and management. The Department did not adequately oversee U.S. Government property, maintain contract files as required by Federal Acquisition Regulations, did not always match goods to receiving reports, or require in-country CORs to review contractor invoices. The Inspectors General were unable to determine if the Department expended ASF funds in accordance with Congressional intent, but identified \$80 million that may need to be returned. Finally, the Department and DOD have not provided enough resources to adequately train members of the Afghan Women's Police Corps.

Twenty-two recommendations were made to DOD, the Department, or both agencies. The Inspectors General recommended to the Department that INL request audit support from the Defense Contract Audit Agency (DCAA) and request refunds

from the contractor of any costs that DCAA determines to be unallowable, unallocable, or unreasonable. Further, INL should strengthen internal controls over contract administration, oversight, and financial reporting; establish and maintain complete and accessible contract files; and ensure that in-country CORs carry out their assigned duties. The Bureau of Resource Management should determine the status of DOD-provided ASF funds, return any funds found to inappropriately disbursed, and correct annual financial statements, communicating any errors to DOD. Finally, OIG recommended that the Combined Security Transition Command-Afghanistan and INL increase the training facility capacity for female police and recruit female training instructors. By the time the report was issued and shortly thereafter, DOD and the Department had taken steps to comply with many of these recommendations.

Limited-Scope Review: Management and Internal Controls over Construction of a Heated Parking Garage and a Recreational Center at the U.S. Embassy in Astana, Kazakhstan (MERO-I-09-11)

The Bureau of Overseas Buildings Operations (OBO) agreed to fund construction of a heated parking garage and a recreational center at Embassy Astana, but the contractor was terminated before construction was finished. Embassy Astana officials were unable to complete the work according to U.S. standards with OBO-provided funding. The embassy's repeated requests for additional funds prompted an OBO on-site review, which identified many potential irregularities and resulted in OBO designing a project completion strategy. In its attempt to finish the buildings, the Embassy used non-OBO funds, which OIG found to be inappropriate and a potential violation of 31 USC 1301(a)¹. Embassy Astana's other project expenditures were authorized and appropriate, and financial and management controls and procurement procedures appeared adequate. However, Embassy Astana did not follow OBO design approval procedures. A second contractor was properly selected, but the buildings have not yet been completed and will incur additional expenses.

OIG recommended that OBO and the Bureau of South and Central Asian Affairs determine whether using non-OBO funds was an unauthorized commitment, and if so, report this use to the Bureau of Administration's Office of the Procurement Executive; OBO issue a Management Notice reminding posts worldwide to obtain

¹ Appropriations shall be applied only to the objects for which appropriations were made except as otherwise provided by law.

all applicable approvals and permits for construction projects; OBO and the Bureau of Resource Management issue a Management Notice reminding posts that OBO is the lead bureau for construction and renovation of overseas facilities, and to ensure funds are appropriately used for construction and renovation; and Embassy Astana, in coordination with OBO, correct the non-OBO funding of purchased items.

Limited-Scope Review of the Bureau of Population, Refugees and Migration's Oversight of the United Nations Relief Works Agency for Palestine Refugees in the Near East in Gaza (MERO-I-10-04)

This limited-scope review was performed at the request of Congressmen Kirk and Rothman to determine conformity of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) with the conditions in Section 301(c) of the 1961 Foreign Assistance Act, as amended. This act states "...no contributions by the United States shall be made to [UNRWA] except on the condition that [UNRWA] take all possible measures to assure that no part of the United States contribution shall be used to furnish assistance to any refugee who is receiving military training as a member of the so-called Palestinian Liberation Army or any other guerilla type organization or who has engaged in any act of terrorism." The Bureau of Population, Refugees and Migration (PRM) manages and oversees U.S. Government assistance to UNRWA. Following UNRWA's employee union elections in Gaza, the Hamas political party claimed that members of its organization had won all 11 seats in the UNRWA teachers union.

OIG was reasonably assured that PRM and UNRWA were achieving U.S. Government objectives in Section 301(c) by investigating and verifying conformity following the employee union elections. UNRWA's 5-month investigation yielded no evidence of external political involvement or political activities by the elected UNRWA teachers. PRM and UNRWA have extensive policies and procedures to monitor and evaluate compliance with both the UN neutrality policy and Section 301(c). OIG concluded that UNRWA had taken all possible measures to follow the guidelines in Section 301(c) of the 1961 Foreign Assistance Act, as amended.

AUDITS

System Review Report on the Department of the Treasury Office of Inspector General Audit Organization (AUD-10-12)

OIG reviewed the system of quality control for the audit organization of the Department of the Treasury's OIG in effect for the year ended March 31, 2009. A system of quality control encompasses an OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The review was conducted in conformity with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency. OIG determined the system of quality control of the Department of the Treasury's audit organization was suitably designed and complied with. Therefore, the audit organization had reasonable assurance that it was performing and reporting in conformity with applicable professional standards in all material respects.

PROPERTY AND PROCUREMENT

Audit of Design and Construction of the New Embassy Compound in Baghdad, Iraq (AUD/IQO-09-25)

In 2005, Congress authorized \$592 million in emergency funding for the new embassy compound (NEC) in Baghdad, Iraq, with the intent of having the construction completed within 24 months of the project start date. The audit, conducted by OIG with technical assistance provided by a team of engineers from the U.S. Army Corps of Engineers (USACE), was the second of two OIG reviews of contracts related to that design and construction.

OIG examined five contracts awarded to First Kuwaiti Trading and Contracting for about \$470 million that were administered by the Emergency Project Coordination Office (EPCO) during construction. EPCO was set up by the Bureau of Overseas Buildings Operations (OBO) to manage the project, and it did not use established OBO resources.

OIG found the quality of the NEC construction to be significantly deficient in multiple areas, because designs for the facilities had not been completed and approved, and quality control and commissioning procedures were inadequate. Therefore, the Department cannot be assured that the NEC complies with contract and Department requirements, as well as with applicable building codes. OIG estimated the Department should attempt to recover approximately \$43.5 million for work needed to bring construction deficiencies up to contract standards and approximately an additional \$33 million for incomplete and undocumented design work. OIG also identified First Kuwaiti's inadequate quality control program as resulting in additional maintenance charges of approximately \$38 million over 15 years. OIG recommended the Department attempt to recover approximately \$3.8 million from the contractor because commissioning activities either were not performed or were performed incorrectly.

As a separate stand-alone organization, EPCO did not adequately discharge its contract administration responsibilities during the construction of the NEC. EPCO was managed by a personal services contractor who did not enforce contract provisions, most notably design and construction requirements, which resulted in many of the construction deficiencies listed. Of prime significance, construction deficiencies prevented the contracts from being completed on time, and embassy personnel could not move as planned to the more secure facilities at the NEC. EPCO did not require First Kuwaiti to pay approximately \$10.9 million in liquidated damages. EPCO also approved \$69.1 million in advance mobilization payments that were not authorized by the contracts and did not require First Kuwaiti to pay approximately \$3.3 million in interest charges for the use of those funds. Further, EPCO approved contractor invoices without adequate documentation and did not require First Kuwaiti to comply with reporting requirements of the Cargo Preference Act.

OIG recommended the contracting officer attempt to recover more than \$132 million from First Kuwaiti, and that OBO develop guidelines for any future stand-alone project offices that will provide personnel who have the requisite experience and represent an appropriate mix of government employees and personal services contractors.

***White Paper—Best Practice—Design and Construction
of Diplomatic Facilities in Arid Climates With
Security Concerns (AUD/PP-10-06)***

At OIG's request, USACE offered suggestions for improving the design and construction of Department facilities similar to those reviewed by OIG and USACE in Baghdad, Iraq, in October 2008. The white paper identifies specific energy-savings methods and devices to make facilities and systems more sustainable from the standpoint of energy consumption, equipment life cycle, and operation and maintenance costs. USACE noted in the white paper that in climates and conditions similar to those of Baghdad, almost 75 percent of the peak electrical energy use is for heating, ventilation, and air conditioning (HVAC). USACE estimated about 10 percent of power output could be saved by installing the various devices listed in the white paper. Also, operation and maintenance of water, wastewater, power generation, and HVAC equipment is the largest contributor to facility maintenance costs—millions of dollars per year for a typical diplomatic compound. Therefore, reducing the size and number of HVAC units required, optimizing power demands, and using other energy-savings measures could reduce annual operation and maintenance costs by 10 percent to 20 percent. USACE concluded that when energy-savings measures are implemented, energy use can be further optimized by providing enhanced building automation systems and improved operator training could yield additional savings to the Department.

SECURITY MANAGEMENT

Audit of Overseas Laptop Computer Inventory Controls and Security Management (AUD/SI-10-08)

To determine whether the Department's overseas diplomatic posts were adequately accounting for their laptop computers and were in compliance with security awareness and laptop encryption policies, OIG conducted an audit that consisted of performing a complete physical inventory of all laptop computers at Embassies Bogota, Mexico City, Rome, Tokyo, and Vienna and the American Institute in Taiwan (AIT Taipei).

Two posts were able to account for all of their laptop computers, but the inventories of laptops at the four other posts were inaccurate and incomplete. Of the 706 laptops that were reported in the official inventories of record of the six posts, 37 laptop computers were missing.

At four posts, 106 laptop computers were not included in the official inventory, of which 96 were being used. Embassy officials reported that the remaining 10 were stolen or missing.

At one post, an additional nine laptops had been missing for 6 to 8 years and had been improperly removed from the official inventory in 2008. Consequently, the embassy did not know the locations of these laptops, they were not in the inventory of record provided to OIG, and they were not properly reported as missing.

In its review of 154 laptop user files, OIG found that only 55 files contained sufficient documentation (acknowledgement forms) to support that laptop users received the required laptop cyber security awareness briefing. Overall, 40 of 71 users interviewed said they had not received the required briefing.

Regarding compliance with the Department's 100 percent encryption requirement to install required encryption software onto the hard drives of each laptop, OIG found that only 298 of the 350 laptop computers tested had been encrypted. At one post, several users said they had personally identifiable information (PII) stored on their unencrypted laptops while traveling on temporary duty, which posed security vulnerabilities.

The inventory deficiencies and noncompliance issues described occurred because of internal control weaknesses, including inaccurate and incomplete laptop computer inventories and a lack of security awareness training and encryption. These deficiencies pose security vulnerabilities that PII or potentially sensitive information about Department operations could be compromised if those computers are lost or stolen.

Office of Audits Receives Award for Excellence for PIERS Report

During October 2009, six Office of Audits personnel received an Award for Excellence from the Council of Inspectors General on Integrity and Efficiency. The award was in recognition of exceptional performance for the July 2008 report *Review of Controls and Notification for Access to Passport Records in the Department's Passport Information Electronic Records System (PIERS)*.

During its review, the audit team found many control weaknesses, including a general lack of policies, procedures, guidance, and training, relating to the prevention and detection of unauthorized access to passport and applicant information and the subsequent response and disciplinary processes when a potential unauthorized access is substantiated. The team's timely and skillfully written report significantly advanced two of OIG's strategic goals: (1) the Department protects the people, information, and facilities under its control, and (2) the Department is free of fraud, waste, and mismanagement.

INFORMATION TECHNOLOGY

Evaluation of the Information Technology Consolidation Project at the Department of State (AUD/IT-10-11)

On July 18, 2007, the former Secretary of State announced the decision to improve the Department's information technology (IT) effectiveness, consolidating the Department's desktop computer services and support for all of the Department's 34 domestic bureaus and offices under the Bureau of Information Resource Management (IRM) within 2 years. According to IRM, IT consolidation would allow for an optimized and cost-effective IT infrastructure supporting agency missions and customer-centric services by improving customer service, enhancing IT security, and reducing IT costs. As of October 1, 2009, 25 bureaus and offices had consolidated their services, and consolidation of the remaining nine bureaus and offices is expected to be completed by the second quarter of FY 2010.

To manage and implement the IT consolidation project, the Chief Information Officer (CIO) has taken positive steps. The IRM customer satisfaction survey is conducted on a semiannual basis and is provided to all IRM customers in consolidated bureaus to assess their satisfaction with services received. Further communication

with bureau officials occurs during Customer Service Advisory Forum meetings—forums for stakeholders to provide their experience, insight, and feedback during the planning and implementation of the IT consolidation and after consolidation operations have been initiated. The IT Mart was created as a one-stop shop, located centrally within the Department, to handle service requests. Stakeholders are updated on the project's progress through periodic electronic newsletters, a dedicated IT consolidation Web site, and town hall meetings.

Although customer service was cited by the IT Consolidation Program Management Office (PMO) as its number one priority in pursuing IT consolidation, OIG found bureau perception was that an improved level of customer service had not been achieved under the project. However, OIG was unable to substantiate these claims, because neither the Department nor the bureaus had information or documentation to support their claims of better customer service prior to consolidation. Because of the lack of a customer service baseline, OIG distributed customer service surveys to bureau executives and IT staff. Of more than 700 comments received, more than 80 percent of respondents said they were more satisfied with the IT support provided by their respective bureau IT staff prior to consolidation.

The IT Consolidation PMO also did not develop business, user, system, or performance requirements as required by project management guidelines. The CIO did not make the necessary policy changes to address the ownership transfer of pre-existing IT plans of action and milestones, inventory control, information system security officer responsibilities, and the handling of mission-specific and personnel-sensitive information. Furthermore, the Department did not implement staff selection criteria for IT staff. As a result, IRM did not have control over which bureau IT personnel were reassigned to the IRM customer service helpdesk after consolidation.

Additionally, the Department did not have actual or comparative cost information to demonstrate whether consolidating services resulted in reduced costs for desktop support services and systems maintenance, which was a primary goal of the project. The inconsistent manner in which bureaus accounted for IT services costs hindered IRM's ability to make a comparative cost analysis. The limited cost analysis performed by IRM prior to bureau consolidation and the lack of transparency between bureaus and the IT Consolidation PMO further contributed to cost data shortcomings.

The benefits of IT consolidation have not been fully realized. The manner in which it has been implemented could be improved. Implementation improvements require an open and cooperative relationship between IRM and the bureaus, including IRM's attention to outstanding customer service and cost issues and to the bureaus' resistance to discussions.

Review of the Information Security Program at the Department of State (AUD/IT-10-10)

In response to the Federal Information Security Management Act of 2002 (FISMA), OIG performed an independent evaluation of the information security program at the Department. OIG reviewed the Department's progress in addressing FISMA information management and information security program requirements per FISMA and other statutory requirements, including OMB guidance. OIG assessed performance in areas that included certification and accreditation (C&A), plan of action and milestones (POA&M), security awareness and training, configuration management, inventory, incident reporting, and privacy requirements.

Since FY 2008, the Department has taken steps to improve management controls to include the following:

- Updating Inventory Toolkits to provide guidance for inventory identification, analysis, and recording and ensuring the inventory is materially correct.
- Effectively managing a decentralized Incident Management Program and reporting incidents timely to the United States Computer Emergency Readiness Team.
- Updating the Privacy Impact Assessment template to make it compliant with OMB guidance.

However, further improvements to the Annual Control Assessment Toolkit, C&A, and contingency plan toolkits are needed.

In addition, the Department should take the following actions:

- Create an information security architecture that outlines the Department's information security responsibility.
- Record and report systemic security weaknesses through the i-Post as POA&M actions.
- Develop methods to ensure systems owners appropriately update the POA&M database and ensure that database information is validated.
- Create standard operating procedures for addressing information technology-related security weaknesses identified in all audits.

- Implement methods to globally enforce security awareness policies and enhance methods of identifying individuals who should take the Cyber Security Awareness Training Course.
- Improve methods of identifying individuals with significant security responsibilities and monitor compliance with training requirements.

The toolkits provided guidance and ensured standard processes were used to perform C&A of FISMA-related systems. However, effective monitoring was not performed to ensure systems owners were complying with established guidance and methodology. Without active monitoring to ensure compliance, controls not tested for systems or networks may not be working effectively and could expose the Department to loss of confidentiality, integrity, or availability.

FINANCIAL MANAGEMENT

Independent Accountant's Report on the Application of Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report Submitted to the Office of Personnel Management (AUD/FM-10-01)

Under OIG's direction, an independent external auditor performed agreed-upon procedures as required by the applicable OMB criterion. These procedures were performed solely to assist OPM in assessing the reasonableness of retirement, health benefits, and life insurance withholdings and contributions, as well as enrollment information submitted by the Department via the Semiannual Headcount Report. The independent auditor identified one instance in which the life insurance election coverage in the payroll system did not agree with the election coverage in the official personnel file for one employee, and the Department could not locate the life insurance election forms for two employees. In addition, the auditor identified a reportable difference between the Headcount Report and payroll information for one pay period. No other exceptions or reportable differences were found as a result of applying the procedures.

Independent Auditor's Report on the Department of State Special-Purpose Financial Statements (AUD/FM-10-02)

An independent external auditor audited the Department's reclassified balance sheet as of September 30, 2009, and the related reclassified statements of net cost and changes in net position (special-purpose financial statements) for the year then ended, contained in the special-purpose closing package of the Department.

The auditor was unable to obtain sufficient and competent evidential matter related to the Department's property and equipment balance as of September 30, 2009, and could not determine whether the special-purpose financial statements and accompanying notes were free from material misstatement. In the auditor's opinion, except for the effects of any adjustments found to be necessary had the independent external auditor been able to examine evidence related to the property and equipment balance, the special-purpose financial statements and accompanying notes present fairly, in all material respects, the financial position of the Department as of September 30, 2009, and its net costs and changes in net position for the year then ended, in conformity with accounting principles generally accepted in the United States of America and the presentation pursuant to the requirements of the Treasury Financial Manual.

The auditor identified no material weaknesses in internal control over the financial reporting process for the special-purpose financial statements, and its tests of compliance with Treasury Financial Manual requirements disclosed no instances of noncompliance that were required to be reported.

Independent Auditor's Report on the Department of State 2009 and 2008 Financial Statements (AUD/FM-10-03)

In an audit of the Department's annual financial statements as of, and for the year ended, September 30, 2009, an independent external auditor was unable to obtain sufficient evidential support for the amounts presented in the FY 2009 combined statement of budgetary resources, and therefore was unable to express an opinion on the combined statement of budgetary resources.

Because the independent auditor was unable to obtain sufficient evidential support for property and equipment amounts presented in the FY 2009 consolidated balance sheet and consolidated statement of changes in net position, the auditor could not determine whether the consolidated balance sheet and consolidated statement of changes in net position presented were free from material misstatement.

In the auditor's opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the auditor been able to examine evidence related to the property and equipment balance, the consolidated balance sheet as of September 30, 2009, and the related statements of net cost and changes in net position for the year then ended present fairly, in all material respects, the financial position of the Department as of September 30, 2009, and its net cost of operations and changes in net position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The auditor found certain deficiencies in internal control that it considered to be significant deficiencies. Specifically, the auditor found material weaknesses relating to the restatement of the Department's prior year financial statements to eliminate an environmental liability; weaknesses in the internal control structure over property and equipment; the lack of adequate systems, processes, or controls to support the completion of a financial statement audit to meet OMB deadlines; and significant deficiencies in the internal controls over accounts payable accruals, unliquidated obligations, and information technology. The auditor also found instances of noncompliance with certain provisions of applicable laws and regulations and also found that the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.

Independent Review of the U.S. Department of State's Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report (AUD/FM-10-17)

OIG independently reviewed the assertions from the Bureau of International Narcotics and Law Enforcement Affairs (INL) FY 2009 detailed accounting and performance submission to the Director of the Office of National Drug Control Policy (ONDCP), which was prepared in compliance with ONDCP's applicable circular. OIG could not attest to the reliability of two assertions relating to drug control obligations. The obligation information included in the report was obtained from the Department's accounting system. During the audit of the Department's FY 2009

financial statements, an independent public accountant identified a material weakness related to the Department's financial reporting processes. The auditor also identified a significant deficiency related to controls over unliquidated obligations. Except for the issues noted, nothing came to OIG's attention that caused it to believe that the other management assertions included in the report were not fairly stated, in all material respects, based upon ONDCP's circular.

Management Letter Related to the Audit of the U.S. Department of State 2009 and 2008 Financial Statements (AUD/FM-10-18)

During the audit of the Department's 2009 financial statements, the independent external auditor identified matters involving internal controls and other operational matters that it brought to the Department's attention related to funds with the Department of the Treasury, revenue, accounts payable, accounts receivable, foreign currency exchange rate reviews, payroll, annuity payments, the retirement fund's actuarial liability, and intra-governmental activity. The external auditor recommended the Department take appropriate action to address these weaknesses.

CONTRACTS AND GRANTS

Analytical Review of the Multinational Force and Observers FY 2008 Financial Statements and FY 2008 Budget (AUD/CG-10-13)

As requested by the Bureau of Near Eastern Affairs (NEA), OIG conducted an analytical review of the audited financial statements of the Multinational Force and Observers (MFO) for the fiscal years ended September 30, 2008 and 2007. The review was to determine any trends or significant changes in expenditures that had occurred between FYs 2007 and 2008. OIG also reviewed the external auditor's report for the FY 2008 and FY 2007 audit of financial statements to determine whether it contained any areas of concern and reviewed the MFO budget for FY 2008 to determine its reasonableness when compared with FY 2007 actual expenses. In the opinion of the financial auditors, the financial statements for FY 2008 presented fairly, in all respects, the financial position of the organization on September 30, 2008 and 2007. OIG found no information requiring it to perform further examination.

Quality Control Review of Calibre CPA Group, PLLC (AUD/CG-10-14)

As the cognizant Federal funding agency for the National Endowment for Democracy, OIG performed a quality control review of the OMB Circular A-133 audit performed by Calibre CPA Group, PLLC, for the fiscal year ended September 30, 2008. OIG determined the FY 2008 audit report and associated Calibre working papers met the applicable auditing guidance and regulatory requirements specified in applicable guidance. Therefore, no follow-up action was required.

Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by AFS-USA, Inc. (AUD/CG-10-15)

Independent accountants determined that AFS-USA's accounting system was adequate for accumulating and reporting indirect costs under the provisions of applicable OMB circulars. The independent accountants took exception to the indirect cost rates reported by AFS-USA for the fiscal years ended December 31, 2007, 2006, and 2005, and recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, International Programs Division, accept and finalize the indirect cost rates computed for AFS-USA for the fiscal years specified.

INSPECTIONS

DOMESTIC INSPECTIONS

Inspection of Bureau of Public Affairs (ISP-I-10-39)

Within 6 months of arriving in the Bureau of Public Affairs (PA), the Assistant Secretary began to strategize with the deputy assistant secretaries on bureau reorganization, and to assess problems that predated his arrival. However, the Assistant Secretary had not communicated his strategic vision with all bureau personnel. Lack of internal communication, inadequate oversight of bureau management, and unresolved personnel problems contributed to low bureau morale.

Ten years after public diplomacy was moved into the Department from the former United States Information Agency, the merger between public diplomacy and the Department was not yet complete. Public diplomacy had not received sufficient attention within the bureau, even though it accounts for \$2.3 million in bureau funding. The bureau should look for additional opportunities to factor the perceptions of foreign media into the crafting of public statements and in other aspects of its work.

The executive office generally performed its duties well, but needed to be more assertive in ensuring supervisors were taking performance management issues seriously, and in addressing leadership and morale issues that contributed to higher than average employee attrition.

Incorporation and maximization of various media organizations such as the Office of Broadcast Services, Office of Press Relations, U.S. Agency for International Development's media component, and Foreign Press Centers, among others, needed to be a central goal for PA in executing the bureau's key media relations activities.

The small, but highly motivated, bureau offices charged with electronic and digital communication swiftly and authoritatively communicated foreign policy messages using a full range of new media tools. The effectiveness of these offices would be enhanced by a reorganization and additional staffing to support this emerging, high-profile public affairs responsibility.

BEST PRACTICE

Bureau of Diplomatic Security Bureau Security Officers

Issue: Most domestic bureaus assign the responsibilities of bureau security officer to an employee as a part-time, collateral duty. In some cases, responsibilities are not carried out diligently and consistently, because employees lack an understanding of relevant security regulations or view the duty as a secondary priority. In the absence of diligent supervision, security infractions or violations can occur. As the custodian of a large number of highly classified cables and documents stored for use by the Office of the Historian, PA must follow stringent regulations concerning the storage, handling, and control of Top Secret/Sensitive Compartmented Information materials. Compromise of these materials can have serious consequences for national security and can also result in administrative penalties for employees deemed accountable for any lapses in their handling.

Response: The Bureau of Diplomatic Security appointed a full-time employee, who also serves as bureau security officer for three other domestic bureaus, to be the bureau security officer. Working with PA staff, the employee set up an innovative training schedule to certify PA employees to handle Top Secret information, establish sound security protocols, and address professionally and responsively the range of security requirements the bureau faces.

Results: No employees in the bureau received security infractions or violations in the last year, records required by regulations were well-maintained, and the bureau was discharging its responsibilities to protect national security information in an effective manner.

Inspection of the Bureau of Western Hemisphere Affairs (ISP-I-10-08)

The Bureau of Western Hemisphere Affairs (WHA) was influential in setting overall U.S. policy goals in the region through its strategic thinking, well-prepared and presented views, and its excellent access to senior policymakers. The WHA Assistant Secretary was effective, active, and well-respected by colleagues and counterparts. He performed much outreach in Washington and during his frequent travels in the west-

ern hemisphere. Morale was very high, in large part due to the professionalism of the bureau's front office. Bureau personnel highly respected the front-office leadership. The bureau was a strong advocate of public diplomacy, and was highly regarded for its energy, vision, and leadership qualities, including its advocacy and creativity in using new technology to reach the public.

The basic regional policies, initiatives, and goals that the bureau helped craft under the previous Administration—including the Merida Security Initiative and the Pathways to Prosperity Initiative—continued under the new Administration with some change in emphasis. New Administration initiatives included efforts to reach out to Cuba, increased support for Haiti, and the Energy and Climate Partnership of the Americas. All of these initiatives reflected the bureau's efforts to work on multiple sectors concurrently.

The WHA Office of the Executive Director effectively supported most overseas and domestic operations despite lean resources for the bureau. Department-wide systemic problems not caused by or unique to WHA, had created declines in service and higher costs for domestic information management, travel orders, and vouchers.

Inspection of the U.S. Permanent Mission to the Organization of American States (USOAS) (ISP-I-10-14)

In his dual roles as U.S. Ambassador to the Organization of American States (OAS) and National Summit of the Americas Coordinator, the Ambassador ably supported President Obama's first successful summit meeting with hemispheric leaders in April 2009. The Ambassador also helped achieve success at the June 2009 OAS General Assembly in upholding prodemocracy principles with regard to possible readmission of Cuba. Summit work occupied a majority of the Ambassador's time for about 1 year.

The U.S. Permanent Mission to the OAS (USOAS) is treated alternately as an office in the Bureau of Western Hemisphere Affairs (WHA) and as a separate mission, without the commensurate resources needed to work with a multilateral organization. Maintaining a distinct identity was a continuing challenge for the mission. At a minimum, WHA needed to allocate more representational and travel funds to the mission to assist USOAS in achieving its objectives within the OAS and to help influence the other 33 OAS missions.

Policy coordination between USOAS and WHA was very good at the senior level, but less thorough at the lower levels. Cooperation was based more on personalities than structural factors and could disintegrate if future personalities do not mesh.

The U.S. deputy permanent representative to the OAS needed to at least have the personal rank of ambassador to more effectively perform his duties as alternate representative and as chargé in the absence of the Ambassador.

Funding for OAS passes through USOAS but is budgeted initially by the Bureau of International Organization Affairs or other Department entities. In budgeting, the Bureau of International Organization Affairs gives priority to UN matters separate from OAS.

Inspection of Office of Foreign Missions Custodial Property Program (ISP-I-10-03)

The Office of Foreign Missions (OFM) has a continuing duty to respect and protect Iran's diplomatic and consular properties from the date the Department took custody of them in April 1980. In order to fulfill the U.S. obligation under the Vienna Convention to respect and protect Iran's diplomatic and consular real property, OFM determined that the real properties could best be maintained if occupied and if rental of the properties could provide a source of funds for essential maintenance and repairs. This program has been successful in many respects.

At the time of the inspection, the Iranian custodial properties were generally in reasonable physical condition. The properties were aging, however, and would need closer oversight and more frequent visits by OFM than had been necessary in the past. The properties needed regular inspections by qualified experts in building systems. In addition, Iranian custodial properties were in need of capital improvements if they are expected to remain rentable. Should the properties become less attractive to potential renters, OFM's funding to maintain them will decrease or stop completely. However, OFM was not adequately staffed to oversee the day-to-day management of the custodial property program, let alone the oversight of capital improvements.

OFM did not have up-to-date, detailed standard operating procedures for the management of custodial properties, the assumption of new custodial properties, the inventorying of contents of properties, or the resolution/return of custodial properties to foreign missions. The inventories of tangible items removed from Iranian custodial properties and placed in commercial storage have not been reviewed since 1997. OFM financial records and vouchering procedures for income and expenditures related to custodial properties are thorough and accountable.

Review of the Department of State Plan to Provide Qualified Contracting Officers and Contracting Officer Representatives for Oversight of American Recovery and Reinvestment Act Projects (ISP-I-10-26)

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA). The impact of the multipurpose bill on the Department was to spend more than \$600 million, primarily on capital projects and technology infrastructure. Funding included \$90 million for Diplomatic and Consular Programs; \$290 million for the Capital Investment Fund; \$220 million for the International Boundary and Water Commission construction; and \$2 million for the Office of Inspector General to audit, evaluate, and monitor how the ARRA funds were spent.

The Department is responsible for ensuring there are sufficient qualified and appropriately trained contracting officers and contracting officer representatives to manage and provide the proper oversight for the ARRA contracts. The Office of Acquisitions Management and the senior procurement executive in the Office of the Procurement Executive play a major role in ensuring ARRA funds expended by the Department are spent in accordance with relevant acquisition policies and programs.

At the time of the inspection, the Department was coordinating well among all the offices that play a role in the ARRA funds including the contracting officers and contracting officer representatives. However, the Department could improve implementation of Federal procurement policies and immediately improve its mechanisms for tracking training requirements for its contracting officers and contracting officer representatives before additional ARRA contracts are awarded, and minimize any risk associated with the qualifications of the contract employees who are administering these contracts.

Inspection of the Bureau of Administration, Office of General Services Management (ISP-I-10-42)

Overall, the work of the Office of General Services Management (A/OPR/GSM) was being performed well. However, workload distribution within A/OPR/GSM was noticeably uneven; some divisions were challenged to meet Department demands for services, while other divisions were not as stressed. Overall, A/OPR/GSM employees, in spite of mixed morale and workload stress in some sections, were committed to providing good customer service.

Controls over cash receipts needed to be established in the Office of Authentications in order to meet regulatory requirements. The division's staffing needed to be increased to meet a continually increasing workload. The Department should also request an exemption from existing regulations that prohibit the Department from retaining about \$1.2 million in authentications collections. These collections must now be credited to General Receipts of the Treasury.

The Fleet Management and Operations Division provided adequate commercial transportation services to Department officials. However, the division did not provide 100 percent of executive transportation services, per its contract terms, because of a shortage of 14 motor vehicle operators.

Review of the Integrity and Fairness of the Foreign Service Selection Board Process (ISP-I-10-48)

OIG's review of the Integrity and Fairness of the Foreign Service Selection Board process concluded that the processes by which annual boards promote, low-rank, and award Foreign Service personnel were fundamentally fair and trustworthy. Procedural safeguards were adequate, but should be enhanced.

Board members took their responsibilities very seriously, considered themselves bound by their oaths, and zealously protected the confidentiality of their deliberations. Other than the members, no one was allowed in the room where and when a board was voting.

The Office of Performance Evaluation (HR/PE) effectively organized and supported the work of a multitude of annual boards that evaluate and reward Foreign Service personnel. Longevity of service and depth of experience among key personnel in HR/PE resulted in a pattern in which members seemed to perform their duties almost by rote. The complicated processes should be codified in a single procedural manual. The prospective, approximately 30 percent, expansion in the cadre of Foreign Service personnel between FY 2009 and FY 2013 will increase the workload on all aspects of performance evaluation. Implications for efficient management of the anticipated work should be addressed by Department management.

Incorporation of technological advances (particularly digital access to performance files) had increased the efficiency of promotion board deliberations. However, there were cogent reservations relative to the concept of moving to "virtual" boards—even though that might reduce costs and ease the burden of composing the boards.

Management Review of Youth Programs, Bureau of Educational and Cultural Affairs U.S. Department of State (ISP-I-10-16)

The youth exchange programs are some of the Department of State's most valuable programs for promoting mutual understanding and respect among successor generations globally. Due to the age group of the participants of youth exchange programs (15–18 years), these exchanges constitute one of the most vulnerable exchange programs in the Department and should demand priority of attention.

There was insufficient oversight of the youth exchange programs at all levels within the Bureau of Educational and Cultural Affairs (ECA) in the Department and at the private sector sponsors' level. In addition, there were insufficient dedicated resources at ECA to conduct effective oversight of youth exchange programs. There should be a restructuring of the youth exchanges oversight processes within the ECA since support for the conduct of the program was coming from several offices within the bureau and was also connected to other programs. Priority must be given to filling the leadership gap in the ECA to facilitate restructuring the bureau to effectively conduct youth exchange programs.

Inspection of the Bureau of Administration's Office of Real Property Management and Office of Facilities Management Services (ISP-I-10-05)

Overall, the work of the Offices of Real Property Management (RPM) and Facilities Management Services (FMS) was being performed successfully. The cost of these operations however, was high. There appeared to be little justification for the project management and support services (PMSS) division as a separate entity in RPM. Both direct-hire and labor-hour contract staffing in RPM could be reduced. Oversight of hourly hires was minimal. The organizational structure of FMS was questionable. An organizational review to reorganize and rightsize both RPM and FMS by the Bureau of Human Resources, Office of Resource Management and Organization Analysis was needed.

The continued reliance on a work force hired in part through several labor-hour contracts was unnecessarily costly because the Bureau of Administration did not have the authority to hire individuals on personal services contracts (PSC). The Office of Management and Budget had cleared a proposal for a 200-person PSC pilot

program. The proposal had not yet been approved by Congress. Savings of about \$2.4 million annually could be realized by discontinuing the labor-hour contracts and obtaining and utilizing PSC authority to hire needed staff.

Management controls over the work performed by the primary operations and maintenance contractor needed to be strengthened. The automated information systems were inadequate to effectively manage construction, renovation, and maintenance projects.

Establishing a working capital fund cost center for financing domestic building renovation projects would eliminate the inefficient, burdensome aspects of financing projects that, of necessity, are executed across fiscal years.

Funds-tracking needed to be strengthened if the Department was to maintain adequate oversight of funds provided to the General Services Administration for both current projects and those being planned using American Recovery and Reinvestment Act funds.

Compliance Follow-up Review of the Bureau of Administration's Office of the Procurement Executive, Office of Acquisitions Management, and Office of Small and Disadvantaged Business Utilization (ISP-C-10-23)

The Compliance Follow-up Review of the Inspection of the Bureau of Administration's Office of the Procurement Executive, Office of Acquisitions Management, and Office of Small and Disadvantaged Business Utilization (ISP-I-07-12, December 2006) recommended that the Bureau of Administration conduct a new comprehensive review of the Office of Acquisitions Management, in accordance with the Government Accountability Office Framework for Assessing the Acquisition Function at Federal Agencies (GAO-05-218G), and establish an internal review board to ensure that recommendations are addressed and report to the Assistant Secretary on implementation of any recommendations made in the review.

All recommendations from the original inspection of these offices were closed during the course of the Compliance Follow-up Review.

OVERSEAS MISSIONS

Inspection of Exercise of Chief of Mission Authority in Managing President's Emergency Plan for AIDS Relief Overseas (ISP-I-10-01)

The purpose of this inspection was to determine how Chiefs of Mission (COM) were fulfilling their responsibilities to coordinate, direct, and support the President's Emergency Plan for AIDS Relief (PEPFAR) program at overseas posts. The report described and evaluated program oversight by COMs, including their role in policy and program implementation, the challenges they faced, the effectiveness of mission support, and implications for sustainability.²

PEPFAR had accomplished much in its first 5 years. The U.S. Government now faced the more difficult challenge of making that initial contribution sustainable. In particular, the U.S. Government had assumed varying degrees of responsibility for the lives of more than 2 million people now dependent on antiretroviral medication. This was an enormous policy challenge that needed to be actively addressed.

The model of the first 5 years, where most important decisionmaking had been centralized within the Office of the U.S. Global AIDS Coordinator (S/GAC), would be increasingly inappropriate as the program necessarily shifted to expanding cooperation with host governments. S/GAC would need to reduce the demands it made on posts and devolve substantially more decisionmaking authority to the ambassadors and PEPFAR teams.

The COMs at the five posts the OIG team visited, as well as 19 other posts out of the 23 queried by questionnaire, had assigned a high priority to PEPFAR. The program's size and complexity required significant COM attention. When this attention was given, the program was generally well coordinated and synchronized with other U.S. programs and objectives. However, the inspection found a few instances where, for one reason or another, COM attention had at times been insufficient, and during those times the program suffered.

Ambassadors and their missions had done an extraordinary job of providing policy oversight, management, and administrative support for the program. However, they had received less than adequate support in all three of these areas from the Department itself, which continued to experience severe resource shortages. As PEPFAR

² Reauthorization Act of 2008, §4 (1)(C), "...emphasizing capacity building initiatives in order to promote a transition toward greater sustainability through the support of country-driven efforts..."

evolved to address the more complex task of ensuring sustainability, the Department needed to take more direct interest in the program. The Department's policy leadership and its management support apparatus had not been actively involved in the PEPFAR program in any sustained way. Among other things, more effort was needed to apply existing PEPFAR resources to the program's support needs.

BUREAU OF AFRICAN AFFAIRS

Compliance Follow-up Review of Embassy Antananarivo, Madagascar (ISP-C-10-30A)

OIG conducted a compliance follow-up review (CFR) of the inspection report issued in October 2008, *Embassy Antananarivo, Madagascar* (ISP-I-08-47A), including 13 formal recommendations. This CFR closed the 2008 inspection report, and contained two reissued recommendations pertaining to privatizing the English Teacher Program and disposing of excess furniture, as well as one new recommendation concerning the legality of property disposal for the Millennium Challenge Corporation and paying vendors from the Millennium Challenge Account. Other management issues listed in the work plan were reviewed and found to be completed.

Compliance Follow-Up Review of Embassy Dar es Salaam, Tanzania (ISP-C-10-31A)

OIG's CFR of Embassy Dar es Salaam found the mission did an excellent job of complying with the 2008 inspection report recommendations as well as in preparing for and cooperating with the CFR. The inspectors observed that the serious attitude toward the inspection was reflected in the integration of the recommendations into daily operations. The Report of Inspection, *Embassy Dar es Salaam, Tanzania*, (ISP-I-09-04A, October 2008) was closed, and the CFR contained one reissued recommendation to sell property valued at more than \$1.5 million. OIG also issued two new recommendations to improve controls over the U.S. Government-owned house in Zanzibar.

BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS

Inspection of Embassy Wellington, New Zealand, and Embassy Apia, Samoa (ISP-I-10-06A)

Embassy Wellington was doing an excellent job expanding and improving the bilateral relationship and advancing U.S. interests. Coordination among agencies in the mission was well-managed and productive. The political-economic section was producing high quality reporting and effectively promoting U.S. political, military, trade, and environment agendas. More guidance from Washington on environment, science, technology, and health issues where New Zealand was most active could help advance U.S. policy goals. A talented public affairs section was effectively promoting the bilateral relationship, but needed to set clearer priorities to make the most efficient use of its small staff.

The most critical management issue facing the mission was compensation for its locally employed staff. There had been no pay increase since March 2006, and the most recent comparability study conducted by the Department had no credibility among the staff. The Department needed to address this issue as soon as possible, identifying acceptable commercially available data, carrying out a salary study, and providing the results to Embassy Wellington.

The management section was doing a commendable job of managing resources given that one officer was performing three functions for multiple customers: human resources, finance, and general management. The mission may have reached the limit of its ability to provide services without additional International Cooperative Administrative Support Services staff.

Consulate General Auckland was effectively providing consular services to New Zealand and consular support to Embassy Apia. Despite its small size, Embassy Apia was advancing important U.S. interests and conducting effective public diplomacy outreach and an appropriate level of consular services, but it needed extensive management support from Embassy Wellington.

BEST PRACTICE

Embassy Wellington keeps its office supplies at a low level by limiting the number and types of items it keeps in stock and authorizing individual offices to order non-inventory items from a commercial vendor.

Issue: Embassies sometimes keep large shelf stocks of office supply items, acquired in an attempt to meet every need, or as a result of spending end-of-year funds on supplies. Overstocking results in slow issuance and loss of product through damage or passing of expiration dates. Office supplies that become useless due to age neither meet the need to fill every requirement, nor are they a good use for scarce funds.

Response: Embassy Wellington uses a limited standard supply list for in-house distribution, combined with an account with a local office supply outlet. Individual offices have one or two employees authorized to place orders from the vendor's online ordering tool. Limits on quantities and monthly statement reviews provide internal controls.

Result: Embassy Wellington has a staff of two carrying out all duties within the property and supply operations. The problem of aging shelf stock has been eliminated, and end-of-year funds are no longer spent on large quantities of supplies that become unusable. Customer satisfaction with supplies has increased.

Inspection of Embassy Canberra, and Consulates General Sydney, Melbourne, and Perth, Australia (ISP-I-10-07A)

The U.S. mission in Australia was doing an impressive job advancing U.S. policy interests and solidifying the U.S. relationship with the new Australian Government.

Mission teamwork was outstanding. The heads of agencies, sections, and consulates general worked well together and supported each other. The integration of constituent posts into the work of the mission was particularly noteworthy. The high degree of communication and coordination enhanced both the quality and coherence of mission reporting. Washington users found it relevant, timely, and well-sourced.

Mission Australia's consular operations were generally good and had a strong service orientation but required greater oversight by the country consular coordinator and principal officers. Public diplomacy programs at all Mission Australia's posts were active, well-managed, and directed to Mission Strategic Plan goals. Embassy Canberra's direction and support was excellent, as was coordination among mission elements. More detailed operational plans would be helpful.

BUREAU OF EUROPEAN AND EURASIAN AFFAIRS

Inspection of Embassy Brussels, Belgium (ISP-I-10-04A)

The chargé d'affaires earned high marks for his fairness, integrity, and engagement. He was an effective spokesman for the United States in Belgium and had excellent relations with key officials. Officer losses due to the Global Repositioning Program Initiative hit the political and economic sections particularly hard and caused their consolidation. The new joint section was responding well to the ongoing integration process, but reporting had been reduced. Given the embassy's structure and staffing, the counselor for political and economic affairs was called upon to assume substantial management and supervisory responsibilities, including oversight of other agency activities and coordination with the U.S. Mission to the European Union (USEU) and the U.S. Mission to the North Atlantic Treaty Organization (USNATO). For these reasons, the position needed to be elevated to management counselor, FE-OC. The consular section had adept and inventive officers, competent local staff, and a cramped, ungainly facility. It had caught up with years of neglected management controls and maintenance and launched some innovations, but needed further improvements to work flow and morale, as well as completion of a long overdue space renovation project.

Inspection of U.S. Mission to the North Atlantic Treaty Organization (USNATO), Brussels, Belgium (ISP-I-10-12)

USNATO plays a crucial role in addressing key U.S. national security challenges within and outside Europe, including Afghanistan. USNATO is unique among U.S. diplomatic establishments since its Ambassador reports to both the Secretaries of State and Defense. Despite unprecedented turnovers in ambassadors and other staff over a period of 16 months, the mission maintained its effectiveness because of the efforts of its high quality Departments of State and Defense staff, and their professionalism. The recent arrival of a new ambassador and deputy chief of mission (DCM) was expected to initiate a period of stability. The political section supported a high number of important visitors, including the President, the Vice President, and the Secretaries of Defense and State. Its officers functioned extremely well despite long hours and constant pressure. In recent years, USNATO had increasingly reported through email and should return to using front channel cables for important reports and most instructions.

Inspection of U.S. Mission to the European Union, Brussels, Belgium (ISP-I-10-13)

USEU continued to do an excellent job advancing crucial U.S. political and economic issues with the 27-member European Union, despite considerable turnover in its leadership over the past 2 years. The mission had operated efficiently under the chargé d'affaires who replaced two different ambassadors during his tenure.

The mission worked hard to advise U.S. embassies in European Union member states on how they could best influence European Union decisionmaking at the national level. The busy political and economic sections operate effectively under strong leaders, who also coordinate the activities of several other U.S. departments and agencies with representatives at USEU.

Given the importance of the joint administrative services (JAS) section to the functioning and morale of all three missions, USEU leadership needed to join with the front offices of Embassy Brussels and the U.S. Mission to the North Atlantic Treaty Organization in assuming greater collective responsibility for overseeing and supporting the JAS.

Inspection of Tri-Mission Coordination, Brussels (ISP-I-10-15)

There was a growing convergence in the agendas and priorities of the Brussels Tri-Mission—Embassy Brussels, the U.S. Mission to the European Union, and the U.S. Mission to the North Atlantic Treaty Organization—embracing a widening range of issues.

Building on current efforts, there was considerable scope for enhancing communication and coordination among the constituent posts of the Tri-Mission on both policy and management issues. The European Media Center, commonly known as the Hub, was becoming a useful catalyst and platform for expanding U.S. media outreach in Europe. Its role was distinct from, but complementary to, those of the public diplomacy units of the three missions, each of which was fulfilling an important need.

Budget cuts, position eliminations, extended staffing gaps, and morale issues hampered management operations throughout 2008, and had a noticeable effect on service quality and customer satisfaction. Despite these constraints, the JAS section was well-run, and generally provided good and equitable management support to all three Brussels missions. An improved budgetary outlook, the anticipated filling of vacant positions, and personnel turnover were expected to raise JAS's performance levels.

Over the next 5 to 10 years, several factors, notably including the continued expansion of U.S. relations with the European Union, will generate increases in staffing for the Department and other U.S. agencies. In consequence, both Brussels and the Bureau of European and Eurasian Affairs would need to define more precisely their expectations for future office space needs and how they could be met.

Inspection of Embassy Belgrade, Serbia (ISP-I-10-09A)

The Ambassador and deputy chief of mission had recalibrated U.S.-Serbian relations and achieved significantly more cooperation on U.S. objectives. This improvement was especially notable because it occurred in the aftermath of U.S. recognition of Kosovo's independence, which incited the Serbian Government to act with hostility toward the United States.

The Ambassador's leadership during a 2008 attack on the embassy was outstanding. He and his team foresaw impending danger and prepared for it carefully. When assailants penetrated the embassy, no employees suffered injury, and no protected materials were compromised. After the attack, the ordered departure and subsequent return of U.S. personnel proceeded smoothly, as did rebuilding the chancery. Consequently, there was minimal disruption to embassy operations and surprisingly few negative aftereffects.

The political and economic sections worked well together, despite the disadvantage of being housed in different buildings of the embassy. Both sections also benefited from colocation with their LE staff, which enhanced useful collaboration and benefited morale and information exchange.

The embassy had done an exceptional job of establishing goal implementation groups, a system the deputy chief of mission designed to make every section an active player in supporting Mission Strategic Plan goals. The embassy's innovative and nationwide public diplomacy program, which involved all sections of the embassy and eight American Corners, had moved Serbian perceptions of the United States in a positive direction. The embassy management section overcame the challenges of the chancery perimeter breach, the ordered departure, staffing gaps, and dysfunctional facilities to provide quality services to its subscribers as reflected in high customer service survey results.

BEST PRACTICE

Embassy Belgrade has done an exceptional job of implementing goal implementation groups (GIG), a system that makes every section an active player in supporting Mission Strategic Plan (MSP) goals.

Issue: Before the arrival of the current executive team, Embassy Belgrade approached the Mission Strategic Plan with a process called the rolling policy agenda. By all accounts, it was time-consuming and labor-intensive, and generally disliked by sections and agencies alike.

Response: With the Ambassador's support, the DCM created GIGs and ensured that the MSP became a useful tool to monitor progress throughout the year. Once the Ambassador presents his clearly defined vision, agencies and sections decide consensually how to organize the GIGs. Embassy sections with a link to MSP goals have ownership in a GIG that is relevant to their work. GIGs are scheduled to meet once every five weeks but can assemble more frequently when appropriate. They are a net gain rather than a burden for participants because they do not require inordinate amounts of preparation time.

MSP GIG topics are: A Democratic Serbia; A Prosperous Serbia; Serbia as a Partner; A Stable Serbia; and An Efficient, Effective U.S. Mission. Groups are co-chaired by two section or agency chiefs and "owners" come from every office that has a strategic interest in the topic. There are usually five to seven sections/owners in each GIG. The "Serbia as a Partner" GIG, for example, is co-chaired by the economic counselor and a political officer. Its owners represent the political and economic sections, the U.S. Agency for International Development, the U.S. Foreign Commercial Service, and the Defense attaché's office.

Result: Regularly scheduled GIG sessions mean each embassy section maintains a sense of ownership of MSP goals. Meetings ensure the MSP remains on track and that no important part of policy or its implementation falls between the cracks during the year. Report card sessions measure progress. GIG owners have regular opportunities to exchange ideas, share solutions to problems, marry assistance to diplomacy, and monitor how achieving goals will affect the next Mission Strategic Plan.

BEST PRACTICE

Outreach to Exchanges Alumni

Issue: With more than \$5 million annually in U.S. Support for Eastern European Democracy Act (SEED) funds that are used primarily for exchange activities, in addition to Fulbright, International Visitor, and other exchange programs, Embassy Belgrade's public affairs section (PAS) has close to 1,000 exchange alumni dating from the embassy's reopening in 2001. These alumni constitute a tremendous potential resource for promoting understanding and appreciation of the United States among the larger Serbian public, many of whom are ignorant about, or hostile to, the United States.

Response: Embassy Belgrade's PAS has developed a highly effective alumni outreach program, debriefing alumni on their return and inviting them regularly to public affairs programs. PAS also works with them on special projects, such as an environmental clean-up program initiated by high school exchange alumni. An alumni coordinator maintains regular contact with the alumni, and the section employs state-of-the-art communications technology to do so.

Result: PAS activities have created a network of alumni who share ideas and experiences with each other, as well as with embassy personnel, reinforcing their exchange experiences. They participate actively in programs to promote the embassy's strategic goals, such as protecting the environment and promoting economic development.

Inspection of Embassy Podgorica, Montenegro (ISP-I-10-10A)

The Ambassador had established productive relations with the Montenegrin Government and advanced U.S. policy objectives, notably by speeding Montenegro's North Atlantic Treaty Organization accession process, winning its recognition of Kosovo's independence, and securing Montenegrin troops for Afghanistan. The Ambassador used his language fluency and skill in public diplomacy to enhance positive views of the United States among the Montenegrin public.

The front office's leadership had been problematic; it had failed to moderate the heavy workload, prioritize clearly, make decisions expeditiously, and delegate ad-

equate authority. Combined with the isolation of Podgorica and the overcrowding in the chancery, it caused serious stress and low morale among American staff.

Much of the considerable growth in staffing in the last few years occurred in contravention of the Department's efforts to impose discipline on staffing through a model embassy concept. Management staffing had not grown commensurate with the rest of the embassy, and the Department should approve new positions for an information management officer and a general services officer. Under existing plans, Embassy Podgorica would continue to occupy substandard, overcrowded workspace until 2023, when the new embassy compound is scheduled to be completed.

The public affairs section played a critical role in implementing the embassy's ambitious policy agenda by carrying out a remarkably active and focused public diplomacy program. The section was understaffed in relation to its responsibilities, however, and needed an additional locally employed staff position.

The consular section, which was starting nonimmigrant visa services in the summer of 2009, would appropriately restrict the number of visas that it processes until a consular section with adequate space was built as part of the annex scheduled for completion in 2011.

Inspection of Embassy Tirana, Albania (ISP-I-10-36A)

Behind the high-profile leadership of a determined Chief of Mission, Embassy Tirana pursued sweeping democratization and development goals intended to help Albania achieve full membership in the Euro-Atlantic community and contribute to Balkan peace and stability. Although the policy environment was favorable, the achievement of these goals was impeded by the country's pervasive corruption and the absence of any democratic history. Nontraditional diplomacy was therefore a fundamental tool in the embassy's efforts and put the mission in the position of publicly criticizing Albanian acts that perpetuate or profit from the weakness of existing institutions, while privately lobbying political leaders on actions they should take or not take. Although sometimes characterized as meddling, Embassy Tirana's actions were matched by other western embassies and organizations.

Embassy Tirana managed a broad portfolio of assistance programs involving multiple U.S. Government agencies, but a mechanism for considering overall mission assistance policy issues did not exist. Reporting could be enhanced with more focus on Mission Strategic Plan goals. The embassy also needed to improve communications with the U.S. Mission to the European Union.

Fraud is endemic to Albanian society, and the consular section confronted it daily in every activity. The embassy needed to ensure that there was adequate and trained embassy staff to focus on fraud. Embassy Tirana's management section was still recovering from several long-term staffing gaps and an overall decline in International Cooperative Administrative Support Services customer satisfaction levels. The embassy's rightsizing exercise would determine whether staffing was in line with the mission's long-term goals.

Inspection of Embassy Skopje, Macedonia (ISP-I-10-37A)

Embassy Skopje and its Ambassador provided an unusual high-profile leadership and authority to solving problems and dampening crises in a region of major importance to the United States. Overall, morale was good. It stemmed from a congenial atmosphere in the workplace, from good and compassionate leadership, and from responsive management.

The Mission Strategic Plan's goals were derived from North Atlantic Treaty Organization and European Union-prescribed benchmarks that Macedonia must meet in order to join them. First among the Mission Strategic Plan goals was rule of law, but the plan was inconsistent in the importance attached to this goal and the resources dedicated to it. Neither was there an active embassy coordinating group to bring together elements working in this area. Otherwise, program implementation benefited from active front office interest and good coordination.

The highly operational political/economic section was regularly diverted from normal reporting and policy support by many incipient regional crises. The public affairs section pursued an active and effective program with laudable outreach while supporting an Ambassador with a natural inclination for and considerable experience in public diplomacy. The small consular section, which also provided services to neighboring Pristina, was fully integrated into embassy operations, performed well, and was well-led.

The April move to the new embassy compound was accomplished with minimum disruption. Department of State-U.S. Agency for International Development management platforms were consolidated and agreement had been reached with Embassy Pristina to share its health practitioner. All were major accomplishments.

The human resources office would continue to require substantial external assistance. The unit chief position needed to be converted to a full-time position by reprogramming the second general services officer position on the departure of the incumbent.

BEST PRACTICE

Creating a Cost Savings Telecommunication Program

Issue: Embassy Skopje's information management office wished to reduce embassy recurring telecommunication costs. In addition to reducing costs, the information management office (IMO) wanted to utilize the Department's telecommunication technology to provide users with Voice over Internet Protocol (VoIP) and International Voice Gateway access through the convenience of a cellular phone.

Response: The IMO has managed to create a complex telecommunications network that implements key components such as VoIP, GSM gateway, and voice activation technology. The technique known as "least cost routing" combines the Department's technology and local telecommunication services.

Result: The telecommunications network has proven to be very effective. As a result, Embassy Skopje currently saves approximately \$15,000 monthly on its telecommunications costs.

Inspection of Embassy Pristina, Kosovo (ISP-I-10-38A)

Embassy Pristina's management team pursued an ambitious five-point nation-building program in a new country where history imposed many obstacles to success. All embassy elements were engaged and internal coordination was good. Embassy officers enjoyed unusual access to and influence with Kosovo's leaders. Morale was good, but the load was heavy and the pace fast. The embassy's human resources needed careful management. The OIG team supported the embassy's intention to increase formal reporting and to add a public diplomacy and outreach component. The prospect of a new embassy chancery called for careful planning for the expansion of consular services, including visa processing. The justification for Pristina's 20 percent danger pay allowance should be reviewed. Management operations were well-run and greatly improved since the last inspection. The locally employed staff are now trained and performing well without the high degree of supervision once required. Real property concerns remained and will remain a key resource challenge until the new embassy compound is completed in 2015.

Inspection of Embassy Chisinau, Moldova (ISP-I-10-40A)

Embassy Chisinau was well-led and efficiently managed. Sections and agencies were working well together toward clearly defined MSP goals, namely, resolving the Transnistria conflict, strengthening democracy, improving the economy, and combating corruption and trafficking in persons. The MSP rankings were proper, and at least some level of accomplishment was being demonstrated in each area. Despite Moldova's poor economy and weak institutions, among other problems, Embassy Chisinau was well placed to reinforce an encouraging trend in Moldovan politics.

Funding and advice for anti-trafficking-in-persons activities have come from various Department offices, but monitoring and evaluation have not been adequate. Local records maintained by the action officer, who was the regional security officer, appeared to agree with those kept by the financial management office. A complete review of the latter two accounts was needed, as was better coordination in the Department of the Moldovan program and of the funds made available for it.

Public diplomacy was playing a full part in every element of the MSP, including the aspect of the plan dealing with secessionist Transnistria. Embassy exchange programs were large for a post of Embassy Chisinau's size, and they were very effective. The Information Resource Center's physical state had become unsatisfactory, and the center needed to be relocated.

Under strong new leadership, the embassy was moving to correct past managerial weaknesses and correct deficiencies in management controls, including via a staff restructuring. There was consensus that these measures and other factors have greatly improved morale. Nonetheless, the two major management problems, space and physical security, continue to lie beyond its reach. The U.S. Agency for International Development-embassy consolidation had been partly accomplished but completion should be pursued expeditiously.

All embassy operations benefited from a well-educated and dedicated locally employed staff, but competing opportunities, especially in other countries, caused significant turnover. The embassy needed to review all locally employed staff position descriptions and request that Regional Support Center Frankfurt conduct new computer assisted job evaluations.

Compliance Follow-Up Review of Embassy Moscow, Russia (ISP-C-10-22A)

Prior to this CFR, OIG had closed all 45 formal and 92 informal recommendations in the report of *Inspection for Embassy Moscow and Constituent Posts*, dated March 2007 (ISP-I-07-15A). In its review of the formal recommendations, the CFR team confirmed compliance with 44 recommendations and reissued one concerning consolidation of administrative issues, as a formal CFR recommendation. The team issued two new formal recommendations relating to personnel rightsizing and property disposal.

BEST PRACTICE

Policy Coordination/Communication

Issue: With the advent of the new Administration, the embassy faced a new, challenging policy environment. Mission members needed an understanding of the policy framework in which the embassy would operate, including overall mission goals and U.S. interests in its relationship with Russia. In addition, mission members needed a sense of participation and the opportunity to put forward their own contributions.

Response: As the embassy started to implement the ambitious agenda developed out of the July 2009 Obama-Medvedev summit, the Ambassador was scheduling individual, hour-long meetings with embassy sections and other agency offices in the mission, to discuss mission goals, U.S. interests in Russia, and specific issues that were relevant to each mission element.

Result: The mission would have an enhanced sense of cohesion as it embarked on the new era in U.S.-Russia relations. Embassy executive leaders would hear first-hand the reactions and feedback from the officers working on these issues. The mission would be able to better focus its efforts to meet overall mission goals in the new policy environment.

BUREAU OF NEAR EASTERN AFFAIRS

Inspection of Embassy Cairo and American Presence Post in Alexandria, Egypt (ISP-I-10-02A)

The Ambassador had an impressive command of all aspects of her demanding job and was an effective proponent of U.S. policy with Egyptian officials and civil society leaders. She also was a convincing advocate for U.S. goals in her frequent media appearances. She and an able deputy DCM delivered consistently strong, coherent, and effective leadership and management at one of the largest U.S. missions in the world. They had shown particular skill in guiding the embassy during a downturn in relations in late 2008, and in using the election of a popular new U.S. President to reinvigorate the bilateral relationship.

Embassy Cairo was extremely efficient in handling visitors and using them to advance policy goals. Good procedures, including a clear division of labor among policy, public affairs, and management sections, ensured that visits by major officials, such as the President of the United States, among others, proceeded smoothly. Planning sessions, chaired by the Ambassador or DCM, explicitly considered how best to use individual high-level visitors to advance one or more policy goals.

Management of the economic and political section was strong. Analysis and reporting was excellent. It would improve, however, by increased travel, the inclusion of more biographic data in cables, closer integration of locally employed staff, and development of a reporting strategy in coordination with the public affairs office, the American presence post (APP) in Alexandria, and the desk in Washington.

The APP in Alexandria was doing well in fulfilling U.S. public diplomacy objectives in Egypt's second largest city. APP Alexandria and Embassy Cairo needed to coordinate more closely as the APP sought to expand its economic and political outreach and reporting. The embassy needed to assign higher priority to funding training and travel requests for the Alexandria staff.

Embassy Cairo had managed more than \$1.5 billion in bilateral foreign assistance each year. The Ambassador led a successful team effort to break an impasse with the Government of Egypt over the amount and use of the economic support funds, and consistently provided guidance for the overall assistance strategy. However, horizontal coordination among agencies involved in foreign assistance needed improvement.

Inspection of Embassy Riyadh and Constituent Posts, Saudi Arabia (ISP-I-10-19A)

Embassy Riyadh lacked clear lines of communication within, between, and among the embassy and the consulates general, which led to policy inconsistency and waste of resources. All mission elements needed to improve the regularity and transparency of communication overall. The newly arrived Ambassador valued leadership, and the deputy chief of mission showed all the signs of an effective coordinator and implementer. Security remained a major concern and could constrain outreach efforts. Mission Saudi Arabia faced challenges that would tax its resources, including supporting a large influx of personnel to support a joint U.S.-Saudi critical infrastructure protection program; meeting its target to double visa issuances; accommodating the return of families after several years in unaccompanied status; moving to the new housing and consulate compound in Jeddah; and locating property for and constructing a new housing and consulate compound in Dhahran. Limiting tours of duty to one year had undermined the effectiveness of Mission Saudi Arabia and hampered its outreach. The recent approval of two-year, fully accompanied tours of duty, mission-wide, would permit the United States to increase its influence in Saudi Arabia and deepen its engagement with the population.

Program Review of Refugee Coordination in Jerusalem (ISP-I-10-29)

The Office of the Refugee Coordinator in Jerusalem carried out the full range of the position's mandated functions throughout its area of responsibility. The refugee coordinator was fully integrated into the political section of Consulate General Jerusalem, and the coordinator's input was important in key reporting from the consulate general.

The refugee coordinator provided ample reporting to the Bureau of Population, Refugees and Migration and other U.S. Government constituencies. PRM consulted closely with the refugee coordinator in developing U.S. positions to represent to UNRWA.

There were multiple formal and informal means by which staff members in the refugee coordinator office monitor UNRWA operations. The refugee coordinator had access to UNRWA officials at all levels and communicated with UNRWA on a daily basis. As a humanitarian agency, UNRWA aims to maintain the neutrality of its

staff and installations, although what is or is not neutral in specific instances is open to debate. The refugee coordinator was diligent about bringing objectionable actions to UNRWA's attention.

The two-person office was inherently limited in its capacity to monitor 58 refugee camps, hundreds of schools and health clinics (many of them outside the camps), and 30,000 staff members serving 4.7 million people so the office depended on UNRWA for information that the office lacked the resources to verify independently. U.S. contributions directed to UNRWA's special projects (e.g., schools, health clinics, and community centers) have high visibility and demonstrate U.S. interest in improving the living conditions of Palestinian refugees.

This report included a recommendation that the refugee coordinator and PRM work with UNRWA to improve the timeliness and quality of information that UNRWA provides, and that the refugee coordinator track the outcome of actions that bear on UNRWA's neutrality.

Inspection of Embassy Kuwait City, Kuwait (ISP-I-10-33A)

The State of Kuwait is a valuable strategic outpost in a region that remains central to evolving U.S. policy priorities. The number of U.S. direct-hire staff at Embassy Kuwait City had grown by more than 30 percent since the 2004 inspection, reflecting a large Department of Defense presence. The embassy's future size and composition will depend in large measure on the number and mission of U.S. forces who remain in the region as operations in Iraq wind down. Until then, it would be premature to consider an expansion of its facilities. Public diplomacy and outreach to urban, educated Kuwaitis was vigorous, but the mission needed to find ways to connect with broader elements of Kuwaiti society, which would require an embassy-wide effort and recruitment of American staff with adequate Arabic language skills. The embassy had successfully focused on strategic policy, but senior leadership needed to pay considerably greater attention to management issues, including International Cooperative Administrative Support Services, and the professional development and training of embassy staff.

Inspection of Embassy Damascus, Syria (ISP-I-10-34A)

Embassy Damascus had performed admirably given severe access constraints and other restrictions placed on it by the Government of Syria in the absence of a U.S. ambassador. These challenges had been made worse by excessive changes in front office personnel in the preceding 5 years, during which the United States did not have an ambassador in Damascus.

The public diplomacy program was seriously hindered by Syrian Government actions in 2006 and 2008. The embassy attempted to find ways to achieve effective outreach and engagement, notwithstanding the challenges. The embassy needed Department assistance in order to take full advantage of the selective open door available for large public cultural events sponsored by the embassy.

Physical security at the aging, poorly situated chancery was shocking. It required identifying more efficient use of existing embassy buildings, including the Hafez building, and ensuring that ongoing security upgrades were completed without further delay. At the same time, any improvements in the current compound or changes in its use were to be considered temporary solutions, in anticipation of a new embassy compound, which depended upon Syrian Government approval for a site.

Selling underutilized properties in Syria would enable the embassy to realize up to \$65 million in funds, which could be put to better use. Rough estimates indicated that the Garden site property in Damascus might appraise for \$50 million, and the former consulate properties in Aleppo for \$15 million. The Government of Syria's decision to close the Damascus Community School, with little prospect for it to re-open in a similar form, had negatively affected morale and portended future recruitment difficulties.

Inspection of Embassy Amman, Jordan (ISP-I-10-35A)

Embassy Amman was a well-run and productive post. The Ambassador and DCM had forged a cohesive country team that was working together collegially in pursuit of MSP objectives. The Ambassador shared information appropriately with his key staff, and both he and the deputy chief of mission were proactive in supporting the work of others.

Foreign assistance coordination was good overall, with input from most relevant agencies into the MSP and operational plan, and associated conditions precedent for disbursing cash assistance for the Jordanian Government budget.

Public diplomacy was working well, but suffered from a lack of long-term strategic planning. The relationship with U.S. Agency for International Development was positive, and the embassy was making good use of USAID's resources in expanding the public affairs section's ability to reach Jordanian audiences.

The consular section was generally well-organized and productive, and the new section chief was making some changes to improve efficiency and morale. Consular relations with, and support to, other mission elements were excellent. The section was providing needed continuity and support for the Baghdad consular section. American citizen services work had taken a back seat to visa work for several years, and Embassy Amman was renewing emphasis on that unit.

BEST PRACTICES

Guide for the Cultural Affairs Specialist on Exchange Programs

Issue: New staff members need to master complex exchange programs in as short a time as is possible. Locally employed staff in particular may not have a chance to take formal training before assuming a position with responsibility for the exchange program. Rules, regulations, and procedures that apply are available in many places including the Foreign Affairs Manual and cables, but a general Bureau of Educational and Cultural Affairs handbook does not exist.

Response: Embassy Amman prepared a *Guide for the Cultural Affairs Specialist on Exchange Programs (Standard Operating Procedures for the International Visitor Leadership Program and other Programs)*, which is a step-by-step handbook that walks an employee through all the stages of administration, evaluation, and follow-up of exchange visitor programs. It is specific to the records management system of Embassy Amman and includes hyperlinks to key document templates that are used in the process.

Result: This handbook ensures consistency and accuracy of program administration, and it reduces the learning curve for new employees.

Online Visa Status Information

Issue: The majority of visa applicants in Amman are subject to a variety of advisory opinion requirements, which delays processing by weeks or months. Anxious applicants and other interested parties bombard the embassy with inquiries about the status of their applications.

Response: In early 2008, Embassy Amman adopted an online system that allows applicants to check the status of their pending applications, a method that was piloted by Embassy Cairo. At the time of their tentative approval, nonimmigrant and immigrant visa applicants are provided an information sheet with the visa office URL and instructions for how to enter one's passport number online to check the status of the application. Each day after the officer transmits an advisory opinion request a staff member enters the passport number on the site as pending. No private or personally identifiable information is posted. When the case clears, the staff member updates the site, which also automatically adds information on how the applicant should proceed in order to secure his or her visa. The total process takes less than a minute of staff time per case.

Result: The volume of phone, email, and other inquiries has dropped sharply, and applicants have ready access to information on their pending case.

On a regular basis, the Ambassador meets informally, at his residence, with small groups of locally employed staff to discuss any topics of interest to them.

Issue: With more than 400 LE staff members at Embassy Amman, most employees rarely have a chance to meet or talk with the Ambassador. On the other hand, the Ambassador can find it difficult to know what is going on at all levels of the mission.

Response: The Ambassador meets regularly with small groups of all levels of LE employees over coffee and tea at his residence. These meetings allow the Ambassador to meet and talk with staff members who otherwise would rarely have the chance to discuss with him their interests or concerns. The Ambassador and a note-taker are the only Americans present. Topics of discussion might range from morale to customs issues to Jordanian politics.

Result: The morale among LE staff at the mission has improved, and the Ambassador has a much better feel for the concerns of his LE staff and other members of Jordanian society.

BUREAU OF SOUTH & CENTRAL ASIAN AFFAIRS

Inspection of Embassy Kabul, Afghanistan (ISP-I-10-32A)

The Ambassador and his leadership team in their first 6 months in Kabul had made impressive progress implementing the Administration's plans for a massive civilian plus-up to support the large increases in assistance programs. This progress took place at the same time that the embassy experienced virtually 100 percent turnover of American staff, supported international facilitation of the Afghan presidential elections, and participated in the Administration's Afghanistan policy review.



Embassy Kabul, Afghanistan

Even with the able leadership of Kabul's senior officers, the best of intentions, and the most dedicated efforts, Embassy Kabul faced serious challenges in meeting the Administration's deadline for "success" in Afghanistan. The unprecedented pace and scope of the civilian buildup, the need for these new officers to arrive in Kabul before support infrastructure expansions had been completed, and the complexity of establishing arrangements to equip the new subject matter experts for success in the field was expected to constrain the ability of these new officers in the short-term to promote stability, good governance, and rule of law in Afghanistan.

The number of U.S. executive branch staff assigned to the U.S. Mission to Afghanistan would have grown from 320 to approximately 900 by early 2010. The embassy, at the direction of the Administration, used a process outside of the Mission Strategic Plan to justify these new positions, and to plan for the increased life support and security costs involved in hosting so many new officers. These costs had not been captured in the Department's International Cooperative Administrative Support Services (ICASS) planning procedures.

Embassy Kabul had a detailed, multiphase plan to expand its administrative support infrastructure to accommodate these new employees. The management section was remarkably adaptable and responsive in an atmosphere of massive personnel surges, constant reinvention, and multiple construction and infrastructure projects.

The performance of Embassy Kabul's management section, however, was adversely affected by lapses in oversight that resulted in significant management control weaknesses, particularly in the travel program, voucher review, and contracting. Not all designations of duties had been properly assigned.

The embassy's sizable official visitor support workload taxed the same military and civilian assets that would otherwise be deployed in the vital counterinsurgency and reconstruction efforts that the visitors sought to evaluate.

The cost of supporting temporary duty officers who were assisting U.S. mission operations in Afghanistan was being drawn from funds provided for Embassy Kabul, rather than being charged back to the originating agency via ICASS.

Embassy oversight of contracts and grants was seriously inhibited by the dangerous security conditions that precluded onsite visits outside of Kabul as well as by the shortage of qualified contract officer representatives in Kabul. The ability of embassy sections, such as the public affairs section and the political section, to support proposed new and or expanded grant programs would be limited until additional qualified grants officers were in place and local staff had been trained in grants management.

One-year assignments coupled with multiple rest and recuperation breaks limited the development of expertise, contributed to a lack of continuity, and required a higher number of officers to achieve the Administration's strategic goals.

Staffing in the public affairs section was inadequate to handle the huge increase in public diplomacy funding approved for Afghanistan. A planning team from Washington had traveled to Kabul to develop an operational plan to specify the staffing and resources that would be needed for the new programs.

Inspection of Humanitarian Mine Action Programs in Afghanistan (ISP-I-10-11)

The Department's Humanitarian Mine Action/Weapons Reduction program in Afghanistan was effectively designed and managed by the Bureau of Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA). The program benefitted from capable and dedicated personnel. The Department and Embassy Kabul needed to improve coordination on mine action among all appropriate agencies and programs of the U.S. Government.

The Department's contractor for mine action and conventional weapons and ordinance destruction, DynCorp International, had fulfilled the terms of its contract. All six of the humanitarian mine action nongovernmental organizations (NGO) that received Department funding merited further support.

PM/WRA had sound plans for the next mine action contract period, which would begin in spring 2010. This plan would reduce technical assistance and continue managerial capacity building for the Afghan Government and mine action NGOs. PM/WRA needed to provide close oversight of the transition to a new mine action contract in order to assure smooth program continuity and proper accountability of U.S. Government property. PM/WRA had also done a good job in Mine Risk Education and Victim Assistance, and these programs should continue.

The international community goal of a “mine-free” Afghanistan by 2013 is unrealistic and is not in keeping with the U.S. approach to mine clearance, which seeks a “mine impact-free” end state. Mines and unexploded ordinance will be a feature of Afghanistan for decades. PM/WRA needs to determine what will constitute the mine impact-free situation for Afghanistan and be prepared to end its large scale assistance when that point is reached. Additional attention should be paid via public diplomacy to telling the story of U.S. mine action/weapons reduction successes.

Embassy Kabul must ensure that mine action personnel from the Department and the embassy have the necessary transportation and security resources to effectively monitor mine action contractor performance in the field. Community-based demining offers a promising model for reaching difficult mine-impacted areas.

BUREAU OF WESTERN HEMISPHERE AFFAIRS

Compliance Follow-up Review of Embassy Brasilia and Constituent Posts, Brazil (ISP-C-10-21A)

The inspection report issued in March 2008, *Embassy Brasilia, Brazil* (ISP-I-08-15A), made 64 formal and 79 informal recommendations. Eight recommendations remained open, pending further post or Department action. OIG conducted a CFR of the post, which closed all of these recommendations. Formal management recommendations pertaining to the appointment of contracting officer representatives and government technical monitors were reissued as informal recommendations.

INVESTIGATIONS

Embezzlement

OIG conducted an investigation based upon information received from a Regional Security Officer at an overseas post alleging a locally employed staff member skimmed money from Department grants intended for nongovernmental organizations. The subject allegedly instructed Peace Corps Volunteers to redirect funds in the amount of \$6,000 and \$12,000 from a grant into his personal bank account for use as “contingency funds.” When another employee noticed this activity and reported the matter to the RSO, the subject directed the funds be transferred back into the project’s account. Subsequently, a local police officer approached the other employee’s spouse with an offer of a \$5,000 bribe from the subject to remain silent about the matter. When interviewed, the subject confessed to embezzling the money and repaid the entire amount of \$54,307. After his confession, the subject was suspended for 30 days and his employment was terminated at the end of his suspension. (10-010)

OIG conducted an investigation of a supervisor and a subordinate employee of the International Boundary and Water Commission (IBWC) who embezzled more than \$100,000 from the Falcon Dam facility. The subjects used a government credit card to purchase a large number of items for personal use and used Dam employee time for work on the supervisor’s personal property. The supervisor immediately submitted his retirement paperwork when he learned of the investigation, and the subordinate agreed to cooperate with OIG in the investigation. OIG agents conducted a search warrant on a ranch property owned by the supervisor and obtained photographic evidence of material purchased by the supervisor and installed on the property, and other improvements made to the property using IBWC equipment and employees. On December 1, 2009, both subjects were indicted in U.S. District Court. They were arrested the next day, and the subordinate was subsequently recommended for termination from his employment by IBWC. On December 4, 2009, both subjects were arraigned and entered a plea of “not guilty.” Prosecution currently is pending for both individuals. (09-104 & 09-114)

False Claims

OIG conducted an investigation of a subcontractor to a Bureau of Education and Cultural Affairs grantee that received \$835,670 to conduct a project entitled “Youth Exchange and Study Program” for the 2008-2009 academic school year. An employee of the subcontractor was assigned to serve as the local coordinator for the students enrolled in the program and was responsible for finding host homes for the students in Scranton, PA. The employee accepted money from the grant and failed to provide the students with basic provisions as outlined in the grant. On February 12, 2010, the subcontractor employee pleaded guilty to one felony count of mail fraud and is scheduled to be sentenced on May 12, 2010. Possible civil action is currently pending against the subcontract company for knowingly violating the terms of the grant. (09-107)

Employee Misconduct

OIG conducted an investigation based upon allegations referred from a senior Department official that an administrative support specialist accepted free hotel accommodations from a hotel that hosted Department conferences that she was responsible for arranging. It was further alleged the employee used her position as backup timekeeper to alter her own time and attendance to reflect hours she did not work. The investigation substantiated both allegations. When interviewed, the subject claimed she did not know she had to report non-monetary gifts to the Department, and the altering of her time and attendance records had been inadvertent. The Department of Justice declined prosecution of the case. The case was referred to the Bureau of Human Resources (HR), which issued a proposal for removal on October 5, 2009. (09-093)

OIG conducted an investigation involving a Diplomatic Security agent who was routinely misusing his official government vehicle to conduct personal business. When interviewed, the subject admitted to the misuse. The case was declined for criminal prosecution. On October 7, 2009, the agent was issued a 35-day suspension for his misuse of the vehicle. (09-072)

OIG conducted an investigation of a Department employee serving overseas who submitted false receipts for reimbursement as part of an official travel claim. When interviewed, the employee admitted altering receipts and submitting and creating false documentation for the purpose of financial gain, which included three false receipts totaling \$10,800. The travel claim was denied, and the employee was not paid. On March 10, 2010, HR proposed the employee be given a 10-day suspension without pay. (09-067)

OIG conducted an investigation of a Department employee who was using Department resources to print items for personal use. When interviewed, the employee admitted to creating and producing flyers, business cards, and tickets during government work hours without authorization or for official purpose. The subject admitted to creating and printing business cards utilizing government resources for certain individuals for personal monetary gain and to creating and printing business cards, flyers and “event” tickets for personal use for his motorcycle club and some of its members. The exact cost to the government of the employee’s misconduct could not be determined. On February 22, 2010, HR proposed the employee be given a 14-day suspension without pay. (09-106)

OIG conducted an investigation based upon a referral from the Bureau of Immigration and Customs Enforcement alleging visa malfeasance involving several employees at a U.S. Embassy overseas. The investigation determined that as a result of misconduct by employees in the consular section at the embassy, visas were issued to local nationals who should have had their claims denied. On March 23, 2010, the embassy proposed termination for two locally employed employees for “coaching” visa applicants to ensure their visas would be approved. Further investigation in this case is still pending. (09-028)

Defense Trade Controls Violation

OIG conducted an investigation of an Arlington, Virginia, based company that illegally brokered the sale of arms to Yemen, Chile, Libya, and Vietnam without registering and obtaining a license to sell items listed on the United States Munitions List. The Arms Export Control Act and the International Traffic in Arms Regulations require anyone seeking to engage in the business of brokering United States Munitions List items to register and obtain a license. In the plea, the company admitted to the court that it had willfully failed to register or obtain a license as required. On January 7, 2010, the company pleaded guilty in U.S. District Court for these activities, and the company was immediately sentenced to pay a \$15,000 fine and a \$400 special assessment. On January 11, 2010, OIG forwarded court documents for initiation of debarment proceeding with the intention of placing the company on the Denial of Service list. (08-099)

FOLLOW-UP ACTIONS

Passport Information Electronic Records System (PIERS) Inquiry

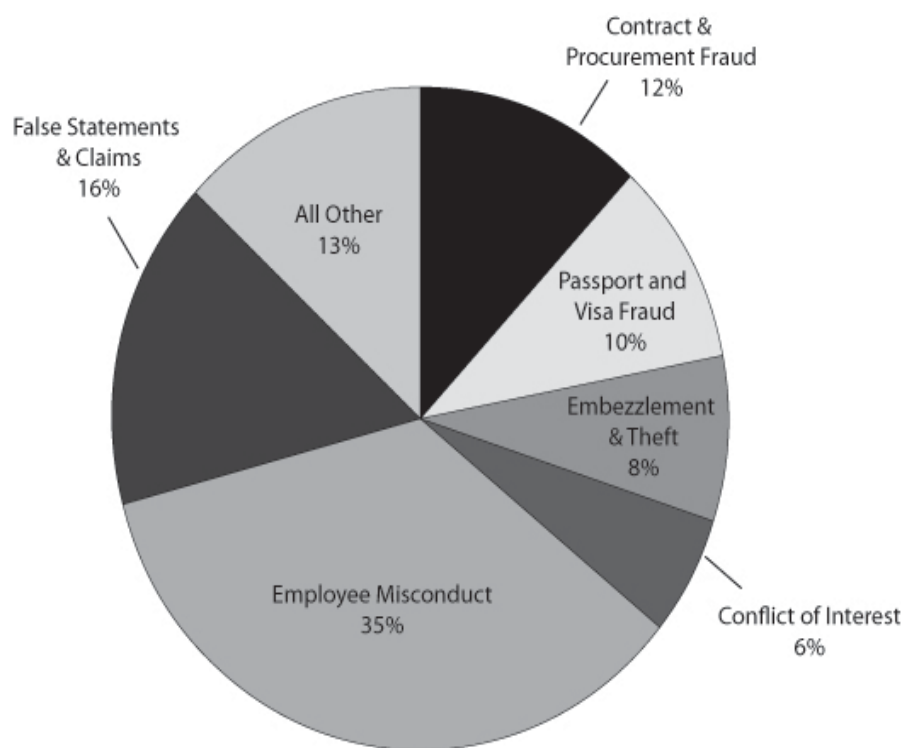
On March 20, 2008, the Under Secretary of State for Management requested that OIG conduct an investigation after news media reports indicated the passport files of three presidential candidates had been improperly accessed by three different Department contract employees on three different occasions through PIERS. OIG subsequently received additional information that improper accessing of PIERS records was widespread and involved many Department employees and contractors. The following are actions that have resulted from OIG investigations involving this issue during this semiannual reporting period, which include seven separate criminal prosecutions:

- OIG conducted an investigation of a Department employee who was improperly accessing PIERS to view the records of a former President and other prominent individuals. The investigation determined the contract employee electronically accessed passport applications through PIERS without authorization. On August 17, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of unauthorized computer access. On December 9, 2009, the employee was sentenced to 12 months probation, \$25 in court costs, and 100 hours of community service. (08-044)
- OIG conducted an investigation of a former Department employee who improperly accessed PIERS by looking up the passport files of prominent celebrities. The investigation determined the former employee electronically accessed 150 different passport applications through PIERS without authorization while she was employed by the Department. On August 26, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of unauthorized computer access. On December 15, 2009, the former employee was sentenced to 25 hours of community service and 24 months' probation. (08-080)
- OIG conducted an investigation of a contract employee who improperly accessed PIERS by looking up the passport files of a former President and other prominent celebrities. The investigation determined that the former employee electronically accessed approximately 112 different passport applications through PIERS without authorization while he was employed by the Department. On July 10, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of unauthorized computer access. On October 23, 2009, the contract employee was sentenced to 1 year of supervised probation and 50 hours of community service. (08-085)

- OIG conducted an investigation of a supervisory Department employee who improperly accessed PIERS by looking up the passport files of prominent celebrities. The investigation determined the former employee electronically accessed 710 different passport applications through PIERS without authorization while she was employed by the Department. On August 19, 2009, the employee pleaded guilty in U.S. District Court for the District of New Hampshire. On November 2, 2009, the employee was proposed for termination from employment. He was sentenced on November 20, 2009, to 2 years' probation and assessed a \$3,000 fine. (08-105)
- OIG conducted an investigation of a Department employee who was improperly accessing PIERS to view the records of prominent individuals. The investigation determined the contract employee electronically accessed 99 different passport applications through PIERS without authorization. On October 27, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of unauthorized computer access. Sentencing is currently pending. (09-010)
- OIG conducted an investigation of a Department employee who was improperly accessing PIERS to view the records of prominent athletes and entertainers. The investigation determined the contract employee electronically accessed 62 different passport applications through PIERS without authorization. On December 11, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of unauthorized computer access. On March 24, 2010, the subject was sentenced to 12 months' probation and 50 hours of community service. (09-013)
- OIG conducted an investigation of a Department employee who was improperly accessing PIERS to view the records of prominent athletes and entertainers. The investigation determined the contract employee electronically accessed 81 different passport applications through PIERS without authorization. On November 9, 2009, the employee pleaded guilty in U.S. District Court for the District of Columbia to one count of unauthorized computer access. On January 21, 2010, the employee was sentenced to 1 year of supervised probation and 75 hours of community service. (09-094)

OIG's pursuit of PIERS-related investigations is ongoing. Because of the systemic weaknesses identified by OIG during the PIERS investigation and audit, the Department has enacted greater safeguards to protect the privacy of electronically stored passport-related information. (*See OIG's semiannual report, April 1, 2009 to September 30, 2009, pp 65-66*).

Types of Cases*



*May not equal to 100% due to rounding

HOTLINE

Referral To Other Offices for Action	305
Held for Action Within OIG	89
No Action Necessary	254
Total Complaints Received	648

APPENDIX 1: DEPARTMENT OF STATE INVESTIGATIVE ACTIVITIES

Preliminary Inquiries

Opened	29
Closed	29

Investigations

Opened	56
Closed	45
Pending (3/31/10)	114

Criminal Actions

Referrals for Prosecution	16
Indictments/Informations	5
Convictions	5
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	84
Declinations	6

Civil Actions

Civil Referrals	0
Civil Judgments	0

Administrative Referrals

Referrals for Personnel Action	8
Suitability Referrals to DS	7

Administrative Actions

Removals	8
Suspensions	4
Reprimand/Admonishments	6
Debarment Actions	0

Monetary Recoveries

Criminal Fines/Recoveries	\$18,425.00
Civil Recoveries	\$0
Administrative Recoveries	\$54,307.60
Total Investigative Recoveries	\$72,732.60

APPENDIX 2: REPORTS ISSUED

Report Number	Report Title
AUD/10-12	<i>System Review Report on the Department of the Treasury Office of Inspector General Audit Organization</i>
AUD/CG-10-13	<i>Analytical Review of the Multinational Force and Observers FY 2008 Financial Statements and FY 2008 Budget</i>
AUD/CG-10-14	<i>Quality Control Review of Calibre CPA Group, PLLC</i>
AUD/CG-10-15	<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by AFS-USA, Inc.</i>
AUD/FM-10-01	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report</i>
AUD/FM-10-02	<i>Independent Auditor's Report on the Department of State Special-Purpose Financial Statements</i>
AUD/FM-10-03	<i>Independent Auditor's Report on the Department of State 2009 and 2008 Financial Statements</i>
AUD/FM-10-17	<i>Independent Review of the U.S. Department of State's Accounting and Authentication of FY 2009 Drug Control Funds and Related Performance Report</i>
AUD/FM-10-18	<i>Management Letter Related to the Audit of the U.S. Department of State 2009 and 2008 Financial Statements</i>
AUD/IQO-09-25	<i>Audit of the Design and Construction of the New Embassy Compound in Baghdad, Iraq</i>

AUD/IT-10-10	<i>Review of the Information Security Program at the Department of State</i>
AUD/IT-10-11	<i>Evaluation of the Information Technology Consolidation Project at the Department of State</i>
AUD/PP-10-06	<i>White Paper – Best Practice - Design and Construction of Diplomatic Facilities in Arid Climates With Security Concerns</i>
AUD/PP-10-07	<i>Review of Policies and Procedures for Implementing the American Recovery and Reinvestment Act of 2009 at the Department of State</i>
AUD/SI-10-08	<i>Audit of Overseas Laptop Computer Inventory Controls and Security Management</i>
ISP-C-10-21A	<i>Compliance Follow-up Review of Embassy Brasilia and Constituent Posts, Brazil</i>
ISP-C-10-22A	<i>Compliance Follow-up Review of Embassy Moscow, Russia</i>
ISP-C-10-23	<i>Compliance Follow-up Review of the Bureau of Administration's Office of the Procurement Executive, Office of Acquisitions Management, and Office of Small and Disadvantaged Business Utilization</i>
ISP-C-10-30A	<i>Compliance Follow-up Review of Embassy Antananarivo, Madagascar</i>
ISP-C-10-31A	<i>Compliance Follow-up Review of Embassy Dar es Salaam, Tanzania</i>
ISP-C-10-46	<i>Compliance Follow-up Review of Embassy Podgorica, Montenegro</i>
ISP-I-10-01	<i>Inspection of the Exercise of Chief of Mission Authority in Managing the President's Emergency Plan for AIDS Relief Overseas</i>
ISP-I-10-02A	<i>Inspection of Embassy Cairo and American Presence Post in Alexandria, Egypt</i>
ISP-I-10-03	<i>Inspection of Office of Foreign Missions (OFM) Custodial Property Program</i>
ISP-I-10-04A	<i>Inspection of Embassy Brussels, Belgium</i>
ISP-I-10-05	<i>Bureau of Administration's Office of Real Property Management and Facilities Management Services</i>

ISP-I-10-06A	<i>Inspection of Embassy Wellington, New Zealand, and Embassy Apia, Samoa</i>
ISP-I-10-07A	<i>Inspection of Embassy Canberra, and Consulates General Sydney, Melbourne, and Perth, Australia</i>
ISP-I-10-08	<i>Inspection of the Bureau of Western Hemisphere Affairs</i>
ISP-I-10-09A	<i>Inspection of Embassy Belgrade, Serbia</i>
ISP-I-10-10A	<i>Inspection of Embassy Podgorica, Montenegro</i>
ISP-I-10-11	<i>Inspection of Humanitarian Mine Action Programs in Afghanistan</i>
ISP-I-10-12	<i>Inspection of U.S. Mission to the North Atlantic Treaty Organization (US-NATO), Brussels, Belgium</i>
ISP-I-10-13	<i>Inspection of U.S. Mission to the European Union (USEU), Brussels, Belgium</i>
ISP-I-10-14	<i>Inspection of the U.S. Permanent Mission to the Organization of American States (USOAS)</i>
ISP-I-10-15	<i>Inspection of Tri-Mission Coordination, Brussels</i>
ISP-I-10-16	<i>Management Review of Youth Programs, Bureau of Educational and Cultural Affairs, U.S. Department of State</i>
ISP-I-10-19A	<i>Inspection of Embassy Riyadh and Constituent Posts, Saudi Arabia</i>
ISP-I-10-26	<i>Review of the Department of State Plan to Provide Qualified Contracting Officers and Contracting Officer Representatives for Oversight of American Recovery and Reinvestment Act Projects</i>
ISP-I-10-29	<i>Program Review of Refugee Coordination in Jerusalem</i>
ISP-I-10-32A	<i>Inspection of Embassy Kabul, Afghanistan</i>
ISP-I-10-33A	<i>Inspection of Embassy Kuwait City, Kuwait</i>
ISP-I-10-34A	<i>Inspection of Embassy Damascus, Syria</i>
ISP-I-10-35A	<i>Inspection of Embassy Amman, Jordan</i>
ISP-I-10-36A	<i>Inspection of Embassy Tirana, Albania</i>
ISP-I-10-37A	<i>Inspection of Embassy Skopje, Macedonia</i>
ISP-I-10-38A	<i>Inspection of Embassy Pristina, Kosovo</i>

ISP-I-10-39	<i>Inspection of the Bureau of Public Affairs</i>
ISP-I-10-40A	<i>Inspection of Embassy Chisinau, Moldova</i>
ISP-I-10-42	<i>Inspection of the Bureau of Administration, Office of General Services Management</i>
ISP-I-10-47	<i>Review of the Integrity and Fairness of the Foreign Service Selection Board Process</i>
MERO-A-10-01	<i>Effectiveness and Efficiency of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Pakistan</i>
MERO-A-10-02	<i>Review of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan</i>
MERO-A-10-03	<i>Performance Audit of the Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan</i>
MERO-A-10-05	<i>Performance Audit of the Bureau of Diplomatic Security Baghdad Embassy Security Force</i>
MERO-A-10-06	<i>Department of Defense Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police</i>
MERO-I-09-11	<i>Limited-Scope Review of Management and Internal Controls over Construction of a Heated Parking Garage and Recreational Center at US. Embassy in Astana, Kazakhstan</i>
MERO-I-10-04	<i>Limited-Scope Review of the Bureau of Population, Refugees and Migration's Oversight of the United Nations Relief Works Agency for Palestine Refugees in the Near East in Gaza</i>

CLASSIFIED REPORTS ISSUED

The following reports are summarized in the classified annex.

Report Number	Report Title
ISP-I-10-17	<i>Department of State Contact Reporting Requirements</i>
ISP-S-10-02A	<i>Classified Annex to the Inspection of Embassy Cairo, Egypt</i>
ISP-S-10-04A	<i>Classified Annex to the Inspections of Embassy Brussels, Belgium, U.S. Mission to the European Union, and U.S. Mission to the North Atlantic Treaty Organization</i>
ISP-S-10-06A	<i>Classified Annex to the Inspection of Embassy Wellington, New Zealand, and Embassy Apia, Samoa</i>
ISP-S-10-07A	<i>Classified Annex to the Inspection of Embassy Canberra, Australia</i>
ISP-S-10-09A	<i>Classified Annex to the Inspection of Embassy Belgrade, Serbia</i>
ISP-S-10-10A	<i>Classified Annex to the Inspection of Embassy Podgorica, Montenegro</i>
ISP-S-10-19A	<i>Classified Annex to the Inspection of Embassy Riyadh, Saudi Arabia</i>
ISP-S-10-21A	<i>Classified Annex to the Compliance Follow-up Review of Embassy Brasilia and Constituent Posts, Brazil</i>
ISP-S-10-22A	<i>Classified Annex to the Compliance Follow-Up Review of Embassy Moscow, Russia</i>
ISP-S-10-30A	<i>Classified Annex to the Compliance Follow-up Review of Embassy Antananarivo, Madagascar</i>
ISP-S-10-31A	<i>Classified Annex to the Compliance Follow-Up Review of Embassy Dar es Salaam, Tanzania</i>
ISP-S-10-32A	<i>Classified Annex to the Inspection of Embassy Kabul, Afghanistan</i>
ISP-S-10-33A	<i>Classified Annex to the Inspection of Embassy Kuwait City, Kuwait</i>
ISP-S-10-34A	<i>Classified Annex to the Inspection of Embassy Damascus, Syria</i>
ISP-S-10-35A	<i>Classified Annex to the Inspection of Embassy Amman, Jordan</i>
ISP-S-10-36A	<i>Classified Annex to the Inspection of Embassy Tirana, Albania</i>
ISP-S-10-37A	<i>Classified Annex to the Inspection of Embassy Skopje, Macedonia</i>
ISP-S-10-38A	<i>Classified Annex to the Inspection of Embassy Pristina, Kosovo</i>
ISP-S-10-40A	<i>Classified Annex to the Inspection of Embassy Chisinau, Moldova</i>

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1
Inspector General Issued Audit Reports
With Questioned Costs

Type of Report	Number of Reports	Questioned Costs (Dollars in Thousands)	Unsupported Costs (Dollars in Thousands)
A. For which no management decision has been made by the commencement of the reporting period *	8	\$31,374	\$27,629
B. Which were issued during the reporting period			
<i>Audit of Design and Construction of the New Embassy Compound in Baghdad, Iraq</i> (AUD/IQO-09-25)	1	\$132,000	\$38,000
Subtotals (A + B)	9	\$163,374	\$65,629
C. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs	1	\$1	\$0
(ii) dollar value of costs not disallowed	1	\$889	\$889
D. For which no management decision has been made by the end of the reporting period	9	\$162,484	\$64,740
Reports for which no management decision was made within 6 months of issuance	8	\$30,484	\$26,740

* Final amounts in the previous SAR were adjusted due to reporting and other errors, based on an extensive analysis of open recommendations.

Table 2
Inspector General Issued Audit Reports
With Recommendations That Funds
Be Put To Better Use

Type of Report	Number of Reports	Dollar Value (in Thousands)
A. For which no management decision has been made by the commencement of the reporting period	1	\$8,100
B. Which were issued during the reporting period	0	\$0
Subtotals (A + B)	1	\$8,100
C. For which a management decision was made during the reporting period (i) dollar value of recommendations that were agreed to by management -based on proposed management action -based on proposed legislative action	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D For which no management decision has been made by the end of the reporting period	1	\$8,100
Reports for which no management decision was made within six months of issuance	1	\$8,100

APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

SIGNIFICANT AUDIT RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/CG-06-02		<i>Application of Agreed-Upon Procedures to George Mason University Awards</i>	2/06
	4	<p>OIG recommended the Bureau of Educational and Cultural Affairs grants officer:</p> <ul style="list-style-type: none"> • Ensure George Mason University follows through with proposed guidelines related to cost share; • Require the University to provide supporting documentation for claimed cost share amounts totaling \$354,248 for Grants ASMA-0324 and S-ECAAS-02-GR-251; and • Reduce the grants accordingly, and require the University to reimburse applicable unmet cost share amounts. 	
AUD/IQO-07-20		<i>Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support (Joint audit with the Special Inspector General for Iraq Reconstruction)</i>	1/07
	2	OIG recommended the Office of Acquisitions Management seek reimbursement from DynCorp for the improperly authorized payment of \$4.2 million that represents contractually unauthorized work directed by the Iraqi Ministry of Interior. This work included the relocation of the residential camp, the manufacture of additional VIP trailers, and the construction of an Olympic-size swimming pool.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/IQO-07-48		<i>Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan</i>	9/07
	1	OIG recommended the Department develop and implement policies and procedures to achieve compliance with Federal Acquisition Regulation requirements for reviewing a contractor's property control system.	
	2	<p>OIG recommended the Department take actions to address the \$2.9 million in unallowable costs identified in this report, including:</p> <p>Reconciling contract requirements to the property acquired and invoiced by the contractors for which they were reimbursed and determine whether property in excess of amounts specified in the contract or task order was required to accomplish contract objectives.</p> <p>Documenting the reconciliation and determination, use them as the basis for approving the costs of any excess property deemed allowable, and issue a modification to the task order indicating the approval.</p> <p>Resolving any unallowable costs associated with property that was determined to be unnecessary to the accomplishment of contract objectives.</p>	
	3	<p>OIG recommended the Department take the following steps to address the \$25.5 million in unsupported costs identified in this report:</p> <ul style="list-style-type: none"> • Reconcile the property acquired and invoiced by the contractors for which they were reimbursed to the contractor's property lists by obtaining and reviewing contractor documentation detailing the types and quantities of property acquired. • Determine whether the property was needed and consistent with contract requirements. • Resolve any unsupported allowable costs associated with property that could not be supported with adequate documentation or was determined to be unnecessary to the accomplishment of contract objectives. 	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	5	OIG recommended the Department evaluate its current structure for monitoring government property held by contractors, assess the benefits of creating a property administrator function, and use this evaluation to clearly define the authority and responsibility for property oversight for each member of its contract administration team.	
AUD/SI-07-27		<i>Audit of Emergency Preparedness at the Washington Metropolitan Facilities of the Department of State</i>	3/07
	2	OIG recommended the Bureau of Administration ensure the Office of Emergency Management's Planning and Preparedness Division has sufficient staffing to finalize 6 FAM 400, Office of Emergency Management Program, and the proposed 6 FAH-1 H-100, Domestic Emergency Handbook, and ensure the emergency preparedness policies and procedures contained in these manuals are implemented and enforced in a timely manner.	
AUD/CG-07-29		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Atlantic Corridor U.S.A., Inc., Under Department of State Grants</i>	6/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs require Atlantic Corridor to refund the Department the \$226,705 in excess drawdowns related to Department grants and prohibit any future drawdowns until the funds are repaid and the grantee has established controls limiting any future requests of grant funds to the minimum amount necessary to cover allowable costs.	
	2	OIG recommended the Bureau of Educational and Cultural Affairs require Atlantic Corridor to refund the Department for \$45,361 of unallowable costs related to the grants and to provide information so the Department can make an appropriate determination on the unsupported costs of \$97,388.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/CG-07-37		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Meridian International Center Under Department of State Cooperative Agreements</i>	9/07
	1	OIG recommended the Bureau of Educational and Cultural Affairs: <ul style="list-style-type: none"> Determine whether the Center's use of the forgone opportunity costs concerning the Center's conference facilities constitutes an appropriate cost-share amount under the cooperative agreement. Following this determination, as appropriate, require the Center to provide supporting documentation for the claimed cost-share amounts or an alternative cost-sharing proposal. 	
AUD/CG-08-02		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Costs Claimed by Young Men's Christian Association of Greater New York Under Department of State Grants</i>	1/08
	4	OIG recommended the Bureau of Educational and Cultural Affairs require the Association to substantiate the unsupported payroll costs or reimburse the Department for these costs.	
AUD/IP-08-19		<i>Safeguarding Domestic Passport Applications During Transit</i>	3/08
	1	OIG recommended the Bureau of Consular Affairs direct the Office of Passport Services to modify the Passport Agent's Reference Guide to define the minimum standards for a secure area, such as placing the applications in a locked container until all the applications are transported, and issue a notice to all acceptance agents regarding this change.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	2	OIG recommended the Bureau of Consular Affairs direct the Office of Passport Services to include provisions in its acceptance agent oversight program for monitoring the effectiveness of acceptance agents in securing passport applications.	
	3	OIG recommended the Bureau of Consular Affairs direct the Office of Passport Services to require non-USPS acceptance agents to send passport applications in a traceable manner, such as with delivery confirmation, and to retain the receipts for a year.	
	4	OIG recommended the Bureau of Consular Affairs direct the Office of Passport Services to work with officials from the Department of the Treasury to review the process used to transport passport applications from the lockbox facilities to passport agencies and to develop a workload distribution analysis that reduces the use of routes with numerous transfers.	
	5	OIG recommended the Bureau of Consular Affairs direct the Office of Passport Services to require that anyone without a need to access applications (such as contracted cleaning, repair, and maintenance personnel) be escorted by Office of Passport Services personnel and kept in direct visual sight.	
	6	OIG recommended the Bureau of Consular Affairs direct the Office of Passport Services to secure passport applications in locked cabinets, containers, or rooms when not actively being processed and amend the internal controls program accordingly.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	7	OIG recommended the Bureau of Consular Affairs direct the Office of Passport Services to issue an advisory notice within 14 days of the issuance of this audit report to all acceptance agents informing them of the Inspector General's authority to review passport records as specified in the Inspector General Act.	
	8	OIG recommended the Bureau of Consular Affairs direct the Office of Passport Services to modify the Passport Agent's Reference Guide to require agents to make their passport records available for monitoring, audit, or investigation.	
	9	OIG recommended the Bureau of Consular Affairs direct the Office of Passport Services to modify the provisions in the designation letter to make passport records available for monitoring, audit, or investigation and reissue the designation letter for all acceptance agents.	
AUD/CG-08-32		<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc.</i>	8/08
	3	OIG recommended the Department's Bureau of Educational and Cultural Affairs (ECA) require Nacel Open Door, Inc., to: <ul style="list-style-type: none"> Establish appropriate policies and procedures to ensure that costs under the grants are adequately documented and accounted for in accordance with applicable Office of Management and Budget circulars. Provide information so that ECA can make an appropriate determination on the unsupported costs of \$94,524. 	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD/IP-09-22		<i>Audit of the Contract and Procurement Process for Selected Projects at U.S. Embassy Jakarta</i>	9/09
	2	OIG recommends Embassy Jakarta, in coordination with the Bureau of Overseas Buildings Operations, correct the funding for the six projects for which the embassy used Diplomatic and Consular Program and International Cooperative Administrative Support Services funds.	
	4	OIG recommends Embassy Jakarta provide to the Bureau of Overseas Buildings Operations (OBO) documentation, including information on justification and costs, for the alterations totaling about \$754,000 that were associated with the Federal Bureau of Investigation (FBI) office addition. Embassy Jakarta should notify OIG when this task has been completed. OIG further recommends OBO review the documentation provided by Embassy Jakarta and determine whether the alterations were supported and necessary. If the alterations were not supported and necessary, Embassy Jakarta should refund all costs associated with the unnecessary alterations identified to the FBI.	

SIGNIFICANT INSPECTION RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-I-10-16		<i>Management Review of Youth Programs, Bureau of Educational and Cultural Affairs</i>	10/09
	1	OIG recommended the Bureau of Educational and Cultural Affairs, in coordination with the Bureau of Administration and the Foreign Service Institute, revise, as appropriate, the current Federal assistance administration curriculum to include compliance with internal and external regulatory procedures for the conduct of oversight of youth exchange programs.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	2	OIG recommended the Bureau of Educational and Cultural Affairs reconfigure and augment the Youth Division with personnel and budget to allow program officers and teams to focus on single programs and to do periodic unannounced site visits.	
	4	OIG recommended the Bureau of Educational and Cultural Affairs establish a standard requirement based on objective criteria to conduct national criminal history checks of host families to ensure uniformity and adequacy of information provided by third-party background check companies.	
ISP-I-09-70		<i>Global Positioning System Solution</i>	08/09
	1	OIG recommended DS should install global positioning system equipment in mobile patrol vehicles at high and critical threat posts.	
ISP-I-09-34		<i>Inspection of the Bureau of Consular Affairs, Passport Services</i>	07/09
	1	OIG recommended the Bureau of Consular Affairs allocate funding to allow passport services to schedule headquarters-field managerial conferences at least once every 2 years.	
	17	OIG recommended the Bureau of Consular Affairs define core adjudication regions for each passport agency and center, and to the extent possible, direct a fixed, but adjustable quota of lockbox cases weekly to that region's agency or center for adjudication.	
	18	OIG recommended the Bureau of Consular Affairs close any acceptance facility, where the acceptance agent also issues birth certificates, as soon as a viable alternative location for submitting passports is identified.	
	20	OIG recommended the Bureau of Consular Affairs redraw the districts for acceptance facility oversight, include all processing centers and new agencies in the program, make the districts proportionate, and assign sufficient staff to fulfill customer service duties.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	22	OIG recommended the Bureau of Consular Affairs certify all acceptance agents by assigning each agent individual identification numbers and require all acceptance facilities to recertify annually the names of the individuals trained and authorized to accept passport applications.	
	24	OIG recommended the Bureau of Consular Affairs create and maintain an integrated master database with the Travel Document Information System on all authorized acceptance facilities and agents.	
	26	OIG recommended the Bureau of Consular Affairs establish an adjudication coordination unit within Passport Services headquarters to provide one-stop guidance on adjudication issues, updated procedural guidance, and maintain communication to and from the field and among adjudication managers.	
	27	OIG recommended the Bureau of Consular Affairs standardize the guidance for conducting adjudication audits, conduct a comprehensive error rate study, and create an action plan to reduce the overall error rate.	
	29	OIG recommended the Bureau of Consular Affairs convene a task force with representation by agency and center supervisors, the union, and outside experts to design a comprehensive production model that addresses overall quality, error, rates, quotas, and local factors that affect productivity.	
	35	OIG recommended the Bureau of Consular Affairs require all passport agencies and centers conduct fraud prevention training at least monthly, and report how and when they conduct training to the Office of Fraud Prevention Programs.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	45	OIG recommended the Bureau of Consular Affairs develop a passport fraud tracking system and order its deployment before the end of FY 2009.	
	46	OIG recommended the Bureau of Consular Affairs revise the Travel Document Information System to show the Social Security Administrative database check and establish procedures to ensure that issuance of a passport to a first-time applicant is not authorized until the results are received.	
ISP-I-09-30		<i>Inspection of Embassy Baghdad, Iraq</i>	03/10
	1	OIG recommended the Under Secretary for Management, in coordination with Embassy Baghdad and the Bureau of Near Eastern Affairs, should devise and implement a rightsizing of the embassy establishing a new baseline of positions that meets the requirements of the President's policy on Iraq.	
	2	OIG recommended Embassy Baghdad, in coordination with the Director of United States Foreign Assistance and the Bureau of Near Eastern Affairs, should undertake a comprehensive assessment of the assistance programs the embassy is implementing to determine which should be continued, phased out or expanded.	
	11	OIG recommended Embassy Baghdad, in coordination with the Foreign Service Institute and the Bureau of Political-Military Affairs, should develop a package of information for its employees on working with military units in Iraq; distribute it to incoming personnel; and share it with the Foreign Service Institute to be included with training for Iraq-bound personnel or as part of a broader module for personnel bound for conflict zones.	
	21	OIG recommended Embassy Baghdad, in coordination with the Office of the Legal Adviser, should send the archived originals of Coalition Provisional Authority orders to the Department for safekeeping and request a ruling on whether they should be turned over to the Government of Iraq.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-I-09-16	28	OIG recommended Embassy Baghdad, in coordination with the Bureau of Human Resources and Near Eastern Affairs, should reassess the need for spoken and written Arabic language skills for Foreign Service generalists and specialists in the public affairs section and, if needed, increase or decrease the number of language-designated positions.	03/10
		<i>Inspection of the Executive Office, Bureau of Diplomatic Security</i>	
	9	OIG recommended the Bureau of Diplomatic Security, in coordination with the Bureau of Administration, should abolish the Logistics Services Division, Space Management Branch, and transfer the function and the full-time equivalent positions to the Bureau of Administration, Office of Real Property Management.	
	13	OIG recommended the Bureau of Diplomatic Security, in coordination with the Bureau of Administration, should review and amend all contract documentation to include a full and complete description of services and tasks to be performed for the Office of the Chief Technology Officer, and should institute benchmarks for evaluating contractor performance.	
	22	OIG recommended the Bureau of Diplomatic Security should review and reduce the size of its Top Secret document inventory in its Countermeasures Program Division.	
	23	OIG recommended the Bureau of Diplomatic Security should transfer the Freedom of Information Act/Privacy Act Division of the Office of the Chief Technology Officer to the Office of the Executive Director.	
	24	OIG recommended the Bureau of Diplomatic Security, in coordination with the Bureau of Administration should eliminate Diplomatic Security-developed program asset systems and convert their asset data to the Integrated Logistics Management System.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-I-09-12		<i>Currency Exchange Rates Differing from Local Legally Available Rates</i>	11/08
	1	OIG recommended the Office of the Legal Adviser, in coordination with the Bureaus of Human Resources and Resource Management, add a provision in the Foreign Affairs Manual that would require Chiefs of Mission to seek approval from the Department for authorizing foreign currency transaction at other than local legally approved rates.	
ISP-I-07-21		<i>Inspection of the Bureau of Administration, Office of Logistics Operations and Office of Program Management and Policy</i>	05/07
	10	OIG recommended the Bureau of Resource Management, in coordination with the Bureau of Administration, establish procedures in the Foreign Affairs Manual to require all bureau and office heads, and chiefs of mission assure in their management controls certifications that an inventory was conducted and reconciled with property records and that the results were submitted.	
	22	OIG recommended the Bureau of Resource Management, in coordination with the Bureau of Administration, establish and implement a system to pay the U.S. Postal Service, and bill and collect reimbursement from other agencies for postal service provided to posts being converted to Department-managed postal operations.	
ISP-I-07-16		<i>Inspection of the Bureau of Human Resources (Phase I)</i>	05/07
	33	OIG recommended the Bureau of Human Resources, in coordination with the Bureau of Resource Management, should establish a global savings mechanism to supplement the locally employed staff's retirement plan.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
ISP-I-09-43		<i>Management Review of the Office of the Historian, Bureau of Public Affairs</i>	03/10
	10	OIG recommended the Bureau of Public Affairs amend the Secretary of State's delegation of authority to the Assistant Secretary for Public Affairs for the appointment or reappointment of Historical Advisory Committee members, to include the requirement that there be consultation with the appropriate Department bureaus.	
	11	OIG recommended the Bureau of Public Affairs reaffirm in writing to the Historical Advisory Committee the primacy of the Foreign Relations of the United States series in the Office of the Historian's priorities.	
	12	OIG recommended the Bureau of Public Affairs form a joint committee with members of the Historical Advisory Committee and employees of the Office of the Historian and develop a strategy for the Foreign Relations of the United States series that addresses the issues of timeliness and thoroughness in the future development of the series.	
	13	OIG recommended the Bureau of Public Affairs establish and implement written guidance to the deputy assistant secretary and the director of the Office of the Historian that establishes lines of authority; frequent, periodic reviews; attendance of each at staff meetings held by the other; and other approaches to encourage a clear chain of command with direct communication between the two offices.	
	18	OIG recommended the Bureau of Public Affairs provide an employee to perform administrative services in the Office of the Historian, possibly by requesting an increase in the number of direct-hire positions in the Office of the Historian by one appropriately graded administrative officer, or by securing the services of an employee on a while-actually-employed basis.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	19	OIG recommended the Bureau of Human Resources, in coordination with the Bureau of Public Affairs, increase the number of direct-hire employees working as historians in the Office of the Historian by an amount that will help the office to meet its obligations with respect to the publication of the Foreign Relations of the United States.	
	22	OIG recommended the Bureau of Public Affairs should design and implement an orientation program in the Office of the Historian for new employees and contractors covering such topics as Civil Service hiring procedures, rules, and regulations; and Department functions and activities.	

Revised Management Decisions

None to report.

Management Success in Resolving and Implementing Recommendations

Compliance Follow-Up Review of the Inspection of the U.S. Section of the International Boundary and Water Commission (ISP-C-07-04)

OIG recommended the Department seek legislation to incorporate the U.S. Section of the International Boundary and Water Commission (USIBWC) into an entity of the Department of State. OIG agreed to an alternative solution in which the Department and USIBWC entered into a memorandum of understanding (MOU) that states the USIBWC Commissioner operates under the foreign policy supervision of the Secretary of State, exercised on a day-to-day basis by the Bureau of Western Hemisphere Affairs and other relevant officials, as appropriate. The MOU also states OIG exercises its jurisdiction to conduct audits, inspections, and investigations of USIBWC. Additionally, the Department forwarded to the White House a proposed letter of instruction from the President to the next USIBWC Commissioner, reinforcing the MOU.

Audit of Accountability, Inventory Controls, and Encryption of Laptop Computers at Selected Department of State Bureaus in the Washington, DC, Metropolitan Area (AUD/SI-09-15)

The Department has made great efforts in meeting the intent of most of the 23 recommendations contained in the July 2009 report *Audit of Accountability, Inventory Controls, and Encryption of Laptop Computers at Selected Department of State Bureaus in the Washington, DC, Metropolitan Area* (AUD/SI-09-15).

Specifically, within approximately 6 months of report issuance, the Department implemented 17 recommendations, and has made changes designed to better manage and control its inventory of laptop computers. Several key recommendations addressed developing and implementing new procedures to properly track laptop computers, which each of the assigned bureaus complied with. In particular, management for one bureau developed an application for tracking and managing laptop computers and other portable electronic devices. The bureaus have also incorporated new procedures into their inventory management practices and addressed matters relating to encryption. Lastly, the Department has periodically issued worldwide guidance regarding encryption and inventory responsibilities for laptop computers.

Summary of Audit Reports Without Management Decision for More Than Six Months

Report Number: AUD/CG-06-02

Subject: *Application of Agreed-Upon Procedures to George Mason University Awards*

Date Issued: February 24, 2006

Reason for not being resolved: OIG sent the Bureau of Educational and Cultural Affairs a memorandum in August 2009 emphasizing the delinquency and importance of resolving and implementing the recommendations. In September 2009, ECA sent an email to OIG stating ECA had received a response from the grantee. In November 2009, ECA requested assistance from OIG to analyze many pages of documentation received from George Mason University. OIG agreed to ECA's request, and based on the information reviewed, OIG notified ECA in March 2010 that it had closed one recommendation but that additional information was needed to close another recommendation. However, the information OIG reviewed for the five recommendations did not adequately support three recommendations, with questioned

costs totaling \$453,780. OIG told ECA that when the grants officer requested further information from George Mason University, the grants officer should consider the length of time that had elapsed since the audit report was issued (February 2006).

Projected date of resolution: September 2010

Report Number: AUD/SI-09-15

Subject: *Audit of Property Accountability, Inventory Controls, and Encryption of Laptop Computers at Selected Department of State Bureaus in the Washington, DC, Metropolitan Area*

Date Issued: July 6, 2009

Reason for not being resolved: The Bureau of Administration (A), Office of Logistics Management, responded to OIG's recommendations in an August 4, 2009, memorandum. OIG determined the response did not address the substance of the recommendation pertaining to the development and implementation of a process to validate and verify that the Integrated Logistics Management System was updated. OIG sent a memorandum to A in August 2009 emphasizing the importance of resolving the recommendation. The Bureau of Diplomatic Security (DS) responded to OIG on February 1, 2010, requesting OIG await updated information for two recommendations pertaining to inventory controls. However, OIG did not receive the updated information as of the end of this SAR period. Therefore, two recommendations remain unresolved.*

Projected date of resolution: September 2010

*Note: (The April 7, 2010, response from DS to OIG's April 1 request for additional information on the two unresolved recommendations was sufficient for OIG to consider both recommendations resolved. However, the recommendations are shown as unresolved because the April 7 response was outside the time period covered by this SAR.)

Report Number: AUD/CG-08-32

Subject: *Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Nacel Open Door, Inc.*

Date Issued: August 18, 2008

Reason for not being resolved: The Bureau of Educational and Cultural Affairs (ECA) provided records and communications pertaining to the recommendations in November 2009. OIG determined the records and communications did not ad-

dress the substance of the recommendation pertaining to withholding funding for future grants and payments under existing grants until Nacel Open Door, Inc., is in full compliance with applicable OMB circulars. OIG sent ECA a memorandum on February 25, 2010, requesting additional information to resolve the recommendation. As of March 31, 2010, ECA had not responded.

Projected date of resolution: September 2010

Summary of Inspection Reports Without Management Decision for More Than Six Months

Report Number: ISP-I-09-18

Subject: *Inspection of Embassy Koror, Republic of Palau* (Classified Communications Capability)

Date Issued: March 2009

Reason for not being resolved: Action office for implementation was transferred from the Bureau of Information Resource Management to the Bureau of East Asian and Pacific Affairs (EAP) on July 19, 2009. OIG is awaiting a response from EAP to resolve the recommendation.

Projected date of resolution: April 2010

Report Number: ISP-I-09-30A

Subject: *Inspection of Embassy Baghdad, Iraq* (Reprogramming the Refugee Coordinator Position)

Date Issued: July 7, 2009

Reason for not being resolved: Action offices disagreed with two of the recommendations. OIG and assigned action offices are in the process of seeking consensus and resolution.

Projected date of resolution: June 2010

Report Number: ISP-I-09-21A

Subject: *Inspection of Embassy Mexico City, Mexico, and Constituent Posts* (Upgrades at Consulate Nogales)

Date Issued: April 17, 2009

Reason for not being resolved: Action for implementation was transferred from Embassy Mexico to the Bureau of Overseas Buildings Operations (OBO) on March 8, 2010. OIG is awaiting response from OBO to resolve the recommendation.

Projected date of resolution: July 2010

Report Number: ISP-I-09-16

Subject: *Report of Inspection of the Executive Office, Bureau of Diplomatic Security* (Reorganization and Planning, and Management Oversight of the Use of Official Vehicles)

Date issued: April 5, 2009

Reason for not being resolved: DS disagreed with four of the recommendations. OIG and DS are currently in the process of seeking resolution.

Projected date of resolution: June 2010

Report Number: ISP-I-08-27

Subject: *Limited-Scope Inspection of Embassy Bratislava, Slovakia* (Implementing Plans for Gain-Sharing Program and MOA for Regional Facilities Management Office)

Date issued: July 1, 2008

Reason for not being resolved: OIG is working with the action office to resolve the recommendation.

Projected date of resolution: Unknown

APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

AUD/CG-10-15	<i>Independent Accountants' Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by AFS-USA, Inc.</i> L.F. Harris & Associates, CPA, P.A. Attestation Engagement
AUD/FM-10-01	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report</i> Kearney & Company, P.C. Attestation Engagement
AUD/FM-10-02	<i>Independent Auditor's Report on the Department of State Special-Purpose Financial Statements</i> Kearney & Company, P.C. Financial Audit
AUD/FM-10-03	<i>Independent Auditor's Report on the Department of State 2009 and 2008 Financial Statements</i> Kearney & Company, P.C. Financial Audit
AUD/IT-10-10	<i>Review of the Information Security Program at the Department of State</i> Regis & Associates, PC Information Technology Audit
AUD/FM-10-18	<i>Management Letter Related to the Audit of the U.S. Department of State 2009 and 2008 Financial Statements</i> Kearney & Company, P.C. Financial Audit

APPENDIX 6: MANAGEMENT AND PERFORMANCE CHALLENGES

The *Reports Consolidation Act of 2000* requires that the Department's *Performance and Accountability Report* include a statement by the Inspector General that summarizes the most serious management and performance challenges facing the Department and briefly assesses the progress in addressing them. OIG considers the most serious management and performance challenges for the Department to be in the following areas:

1. Protection of People and Facilities
2. Information Security
3. Financial Management
4. Contracting and Procurement
5. Counterterrorism and Border Security
6. Public Diplomacy
7. Coordinating Foreign Assistance

1. Protection of People and Facilities

Protecting people, facilities, and information continues to be one of the Department's highest priorities and greatest challenges. The single most significant factor in this effort is having a safe and secure work environment. The Department has undertaken a vigorous program to replace overseas facilities that do not meet security standards with new, secure facilities, but a decade or more will be needed to fully complete this program. In the interim, the Department must identify and implement temporary measures that can mitigate the threats to people, facilities, and information.

The second most significant factor in protecting people, facilities, and information is the security personnel who manage and implement the Department's security programs. Staffing shortages, increasing security requirements, and the demands of high-threat posts have put an ever-increasing workload on Department security per-

sonnel. As a result, some security requirements are not being fully met. The Department needs to find ways to help security professionals become more efficient and effective in their work, and to be able to more closely scrutinize the demands being placed on them.

A critical factor in the protection of people, facilities, and information is the cost and the limited funds available for this purpose. Related to cost is the number of people to be protected—the more people protected, the higher the cost. For these reasons, close attention needs to be paid to National Security Decision Directive 38 requests for personnel increases, and Annex A of the chief of mission/combatant commander memorandum of agreement, which identifies those Department of Defense personnel for which the chief of mission has security responsibility. For non-Department personnel under chief of mission security responsibility, International Cooperative Administrative Support Services agreements are needed to cover the cost of the required security support. The Department needs to ensure that all personnel are adequately protected, and that the cost of providing this protection is being equitably distributed.

Other factors that need to be considered are ever-changing security threats and the implementation of measures to counter those threats. For example, lessons learned from past attacks on official facilities should be used as a basis for new security requirements that will provide better protection against future attacks. Similarly, as technology changes, security requirements should be revised to counter increased technical threats or identified vulnerabilities. These are being done, but at an extremely slow pace. In some cases, it has taken years to change the Department's security requirements in response to an identified vulnerability or an increased threat. It is crucial to find ways to streamline the process of updating security requirements to better keep pace with the ever-changing threat environment.

2. Information Security

The protection of personally identifiable information (PII) is a significant information security challenge for the Department. Safeguarding PII and preventing its breach are essential to ensuring the U.S. Government retains the trust of the American public. Enormous amounts of PII are used in many Department programs and operations and are stored and accessed via multiple mediums, which require multiple levels of control and protection. The Department has made strides in protecting PII and other sensitive data, but recently identified weaknesses demonstrate the need for continued focus and improvement.

The Department's Passport Information Electronic Records System (PIERS) contains PII on more than 210 million passports for approximately 139 million passport holders. In March 2008, media reports surfaced that the PII maintained in PIERS for three U.S. Senators, who were also presidential candidates, had been improperly accessed by Department employees and contract staff. OIG performed a review to identify the internal control weaknesses that allowed the improper access to occur, and made recommendations to address the internal control weaknesses, including the development of policies and procedures to accurately identify the users of passport information, detect unauthorized access to passport and applicant information, and respond effectively when unauthorized access has been determined. As noted above, the Department has made significant strides in addressing these weaknesses.

Federal agencies are required to encrypt and safeguard PII contained on laptop computers. OIG found that as a result of various internal control weaknesses, the Department did not have an accurate inventory of all of its domestic and overseas classified and unclassified laptop computers. Specifically, bureaus and posts failed to enter newly acquired laptop computers into the official inventory system or to delete laptops from the inventory after disposal. In addition, bureaus and posts failed to report and investigate missing laptops or adequately document when a laptop was loaned to an individual for use outside of the assigned facility.

OIG also found that not all of the Department's laptop computers had been encrypted. This created a security vulnerability whereby PII or potentially sensitive information about Department operations contained on those computers could be compromised should those computers be lost or stolen.

The Department's Computer Incident Response Team (CIRT) now automatically alerts OIG of every information security-related breach, including those concerning PII and laptops. Continued monitoring and protection of passports records and PII of Department employees, as well as other mission-critical information, are crucial if the Department is to maintain the public trust and effectively perform its responsibilities.

The Department continues working to satisfy the requirements of the Federal Information Security Management Act of 2002. During fiscal year 2009, the Department modified its systems inventory management approach and its certification and accreditation (C&A) toolkits, and it updated its contingency plan policy. However, the Department continues to face challenges in implementing a fully effective information security management program. The Plans of Action and Milestones process must be strengthened by working with systems owners to ensure timely reporting of security weaknesses during the C&A process; testing contingency plans; developing detailed standard operating procedures for addressing each IT security weakness

and/or finding; and actively monitoring, validating, and implementing remediation steps to correct all security weaknesses within a reasonable timeframe. Security awareness also must be strengthened. Specifically, the processes to identify the number of users with access to the network and the number of users who have taken the cyber security awareness training have not been fully defined.

A recent OIG evaluation concluded that the Department's effort to consolidate IT desktop services found inadequate project planning and management, among other shortcomings. The number one priority for the IT Consolidation was customer service; however, the consolidation program to date has failed to deliver the level of customer service promised. In addition, the Department established a 2-year schedule to complete the consolidation of IT desktop services for 34 domestic bureaus and offices rather than abide by the contractor-recommended 5-year timeframe. As a result, project requirements were not fully defined, cost savings cannot be documented, and security measures are inadequate.

3. Financial Management

Financial management continues to be a major challenge in the Department. In each of the past 3 years, the Department could not respond in a timely manner to requests for evidential material during the audit of the financial statements. As a result, the independent external auditor was unable to express an opinion on the financial statements by the mandated deadline. For the audit of the FY 2008 financial statements, the Department later provided additional information that supported the amounts in its financial statements, and the external auditor then issued an unqualified opinion.

The Department continues to take steps to improve internal controls over financial management. In 2008, its efforts allowed two material internal control weaknesses, related to personal property and undelivered orders (UDO), to be downgraded to significant internal control deficiencies. The external auditor also identified two other significant deficiencies related to the adequacy of the financial and accounting system and to calculating the extent of the liability related to supplemental pension plans for locally employed staff that had been identified in prior audits. The Department believes that its plans to establish a virtual single global financial management system, which will include both domestic and overseas financial data, will address some of the internal control issues identified by the external auditor. The Department also is working to establish an accurate inventory of defined benefit supplemental pension plans for locally employed staff.

4. Contracting and Procurement

The Department spends about \$4 billion annually on formal contracts and simplified acquisitions,³ primarily on procurement activities that support overseas programs and operations. Between FY 2001 and FY 2006, the Department's primary acquisition organization, the Bureau of Administration's Office of Acquisitions Management (AQM), experienced a 41 percent increase in the number of procurement transactions processed and a 155 percent increase in the dollar value of procurement actions issued. This workload increase was not accompanied by a corresponding increase in AQM contracting office personnel.

OIG found several examples where contract administration and oversight were inadequate, including the more than \$55 million in overpayments in contracts valued at \$1 billion for personal protective services in Iraq. Other procurement issues the Department must focus on include adequate planning and transparency in the procurement process. Failure to plan adequately for the construction of the New Embassy Compound in Baghdad, Iraq, and failure to properly administer the contract resulted in more than \$100 million in construction defects the Department was required to repair or replace and the failure to collect liquidated damages and interest payments on contractor advances. With its multiyear plan to upgrade overseas facilities, the Department must ensure that contractors are properly chosen, work is properly conducted, and costs are contained.

5. Counterterrorism and Border Security

Cross-border problems, which have a direct impact on U.S. business interests, environmental safety, quality of life, and border security, continue to challenge the Department. The Department must adequately prepare for both new statutory requirements and new policy initiatives in order to effectively assist U.S. citizens, implement new policies, and provide effective oversight of funds. Examples of increased staffing, resource, and oversight demands include the implementation of the Western Hemisphere Travel Initiative, which requires travel documents for all land, sea, and air travelers in the region. Border crossing card replacement also is expected to add significantly to demand for visa adjudications in Mexico. The Merida Initiative, a historic development in the U.S.-Mexico bilateral relationship to fight transnational crime and corruption, will require significant resources, particularly at Embassy Mexico City. The Department must anticipate and adequately prepare for implementation of such changes.

6. Public Diplomacy

The Department needs to better integrate public diplomacy into policy formation. In the Bureau of African Affairs, for example, the public diplomacy and public affairs office is not an active contributor to the bureau's policy goals. On the other hand, the Bureau of Western Hemisphere Affairs' successful program of embedding public diplomacy officers with the regional desk officers of the regions they serve is a useful model for ensuring better coordination that results in more effective daily press guidance as well as increased public diplomacy input to regional planning. This initiative needs to be developed further and implemented by other regional bureaus.

According to the Secretary of State, the Department needs to employ new social networking tools—including Facebook, Twitter, YouTube, and blogging—to engage in dialogue with broader audiences. Challenges hampering the Department's efforts to support social networking include a lack of human, fiscal, and technical resources, IT security and policy concerns, and a lack of appropriate IT equipment and support. As the security climate deteriorates overseas, and as new embassy compounds are established with impressive security enhancements, it becomes more difficult for public affairs offices to directly engage local residents. New ways of conducting public diplomacy must be found, including the possible use of virtual presence posts, digital videoconferences, and a further reliance on Web sites.

The Department has made important progress in ensuring that public diplomacy is seen as a part of a total diplomatic effort rather than as something that is added as an afterthought to a particular policy, but further integration within the Department and interagency still remains an issue. The Department needs to ensure more mission-level integration of public diplomacy objectives in all mission goals.

7. Coordinating Foreign Assistance

Observers inside and outside the government recognize that the Department of State and America's diplomats face major challenges in coordinating and managing foreign assistance. Foreign assistance has grown in dollar value and scope, and now includes not only development assistance, but also economic, security, humanitarian, and law enforcement assistance.

As the number and variety of foreign assistance programs has grown, so has the number of agencies—and the number of bureaus in the Department—conducting the programs. The U.S. Government must deliver foreign assistance through grants, contracts, or cooperative agreements, but OIG found that some grants officers did not have the appropriate training to perform those responsibilities, and coordination and financial management of these funds must be improved.

In addition, U.S. embassies and the Department face the challenge of managing the Global HIV/AIDS, Tuberculosis, and Malaria program with a budget of nearly \$10 billion a year. The Department established the position of Director of Foreign Assistance in 2006, and began to build a process for integrating strategic planning and budgeting of foreign assistance into the strategic planning of the U.S. Government's other foreign policy goals. Although this initiative responds to widely shared concerns about the modernization of the U.S. Government's management of foreign assistance, it remains a work in progress.

³ A simplified acquisition is a purchase made from a private commercial business source totaling \$100,000 or less (or \$5.5 million for commercial items).

BROADCASTING BOARD OF GOVERNORS

AUDITS

Review of the Information Security Program at the Broadcasting Board of Governors (AUD/IT-10-09)

In response to the Federal Information Security Management Act of 2002 (FISMA), OIG performed an independent evaluation of the information security program at BBG. OIG reviewed BBG's progress in addressing information management and information security program requirements per FISMA and other statutory requirements, including OMB guidance. OIG assessed performance in areas that included certification and accreditation (C&A), plans of action and milestones (POA&M), security awareness and training, configuration management, inventory, incident reporting, and privacy requirements.

Since FY 2008, BBG has taken steps to improve management controls to include the following:

- Developed configuration management policies.
- Improved the identification and management of inventory systems using standards included in applicable Federal Information Processing Standards (FIPS) publications.
- Updated and implemented its Information Security Incident Response Plan to include Breach Notification Policy and Incident Management Policies.
- Improved implementation of privacy programs, including the development and implementation of privacy awareness training for all Federal employees and contractors.

However, further improvements are needed, and OIG recommended BBG take the following actions:

- Develop policies and procedures for C&A, and conduct C&A on all seven of its "moderate-level" systems as categorized in FIPS 199. This C&A testing includes the development of a system security plan and testing and monitoring the effectiveness of the information security policies, procedures, practices, and security controls on an ongoing basis with the frequency based on risk, but no less than annually.

- Ensure all weaknesses that are identified during reviews, including C&A, and that require remediation are tracked in BBG's POA&M system; create and implement POA&M policies and processes that are in compliance with OMB guidelines and National Institute of Standards and Technology recommendations; ensure that milestones include reasonable scheduled completion dates, timely tasks, and progress steps; and require that each identified weakness include the estimated cost to remediate and that these cost estimates, along with the severity of the weaknesses, be used to prioritize the weaknesses for timely correction.
 - Require all Federal employees and contractors to take the security awareness training before they are granted log-in privileges to the system, offer the security awareness training on a regular basis and monitor employees' compliance, and develop security awareness policy that makes the course mandatory per OMB guidance.
-

Independent Auditor's Report on the Broadcasting Board of Governors 2009 and 2008 Financial Statements (AUD/IB-10-04)

An independent external auditor issued an unqualified opinion on BBG's annual financial statements as of September 30, 2009 and 2008, and for the years then ended. Although an unqualified opinion was issued, the report brought to management's attention three significant deficiencies related to internal controls over the financial and accounting system, accounts payable, and property.

Management Letter Related to the Audit of the Broadcasting Board of Governors 2009 and 2008 Financial Statements (AUD/IB-10-19)

During the audit of BBG's 2009 and 2008 financial statements, the independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to undelivered orders, government purchase cards, grants management, information security, non-personnel expenses, and accounts receivable. The external auditor recommended that BBG take appropriate action to address these weaknesses.

INSPECTIONS

Inspection of Broadcasting Board of Governors, Sarajevo, Bosnia and Herzegovina (ISP-IB-10-18)

During the inspection of the Broadcasting Board of Governors (BBG) operations in Bosnia and Herzegovina, the inspection team noted that U.S. international broadcasting entities must reach a vast audience throughout the country. Both the Office of Marketing and Program Placement (OMPP) and Radio Free Europe/Radio Liberty (RFE/RL) were successfully producing and marketing to reflect American society and report accurate, objective, and balanced news, information, and programming about America and the world.

The Office of Marketing and Program Placement's goal was to ensure its programs were reaching all of Bosnia and Herzegovina with 68 affiliate stations throughout the country. There was a particular interest in adding affiliate stations in Republika Srpska, where the media was under increasing pressure from the ethnic Serb Government.

The entities were receiving good support from Embassy Sarajevo when needed. Radio Free Europe/Radio Liberty had excellent cooperation with the embassy, particularly with the office of public affairs.

Inspection of Limited Scope Inspection of Radio Free Europe/Radio Liberty's New Headquarters in Prague, Czech Republic (ISP-IB-10-27)

In response to a request from the BBG, OIG conducted a limited-scope inspection of the new headquarters for Radio Free Europe/Radio Liberty in Prague, Czech Republic. OIG reviewed the security and management aspects of the planning for and implementation of the project for the relocation of the RFE/RL headquarters. The strong and comprehensive structure provided by the three major documents produced by the Bureau of Overseas Buildings Operations, especially the build-to-lease agreement between RFE/RL and ORCO Property Group, and the close coordina-

tion and communication between the parties and within RFE/RL enabled an exceptionally smooth, efficient, and cost-effective implementation, resulting in a striking building that is very efficiently configured. RFE/RL's director of corporate security has a strong security program, which is due primarily to his diligence and the support of RFE/RL's president.

BEST PRACTICE

Securing Staff Buy-in for a Move to a New Office Building

Issue: A move to a new office building is a radical disruption. In facilitating the transition, the issues are how best to inform the staff about the progress of the project and the working conditions that they will find in the new office, keeping them apprised of changes in schedule, and securing staff buy-in regarding the move.

Response: The RFE/RL relocation team started early with efforts to communicate with staff regarding what would be happening in the move and how it would affect them. Throughout the project, RFE/RL employees received briefings via intranet communication and town hall meetings. The team also surveyed employees for input on selecting computers and office chairs, making parking arrangements, and determining storage options to increase employee involvement and foster buy-in. It also gave rise to some helpful suggestions. As construction approached completion, the RFE/RL organized tours of the new building for each of the 28 language services to acquaint employees with the building configuration and how it would be utilized. RFE/RL increased communications as move-in day approached, especially since the move required leapfrogging RFE/RL's radio services to the new location, while still maintaining broadcasting. RFE/RL explained delays and discussed their consequences with employees.

Result: Many employees felt an initial hesitancy toward the move and the new building, but as they moved in and got settled, it gave way to mostly enthusiastic acceptance due primarily to the consistent flow of communication throughout the project.

Inspection of the Broadcasting Board of Governors' Middle East Broadcasting Networks, Inc. (ISP-IB-10-28)

The Middle East Broadcasting Networks, Inc. (MBN) is a BBG grantee organization. Its Alhurra Television and Radio Sawa performed a vital function, providing accurate and objective news to the Middle East and explaining American foreign policy. Since its launch in 2004, the organization has hired staff and established strategic direction and structure. MBN has evolved into a mature media organization, but there is still room for progress. The MBN security program was managed effectively in spite of an apparent lack of resources.

The public debate about MBN has focused on the effectiveness of Alhurra Television and Radio Sawa. The current audience research measures credibility and audience numbers. Expanding the research mix could enhance MBN's understanding of its impact and ways to be more effective in the region.

Communication in the newsroom needed improvement. Many staff felt that senior news management should improve responsiveness, decisiveness, and transparency. MBN has made significant progress in organizing human resources management; solving numerous personnel-related problems; and beginning to establish standardized procedures despite having vacancies in two key positions, which impeded progress.

Inspection of International Broadcasting Bureau Kuwait Transmitting Station (ISP-IB-10-45)

The International Broadcasting Bureau (IBB) Kuwait Transmitting Station has become a key BBG asset, one of the most cost-effective among IBB transmitting stations, and had an availability rating of 99.73 percent for the month of September 2009. The station manager and staff did a good job of developing and managing this asset, but there are opportunities to improve further, particularly in terms of management controls.

The Kuwait Transmitting Station is a key part of IBB's global satellite interconnect system, which was a change from the station's status at the time of the last OIG inspection in 2003.⁴ However, although the station had greater responsibilities than in the past, it lacked the freedom to quickly carry them out.

⁴ OIG Report No. IBO-I-04-04, Inspection of IBB's Kuwait Transmitting Station, March 2004.

The station served as a staging facility and storage site that has received large quantities of equipment from other decommissioned IBB transmitting stations. Much of this equipment was used, or IBB intends to use it, at the station in support of the station's expanding role within BBG's global broadcast network.

The station manager was managing work on several major projects. One project is the construction of a \$5.2-million, 600,000-watt, medium-wave transmitter intended to reach a high-priority audience in Iran, but the project is far behind schedule due to complications with the contractor.

The management and engineers at the IBB Kuwait Transmitting Station were frustrated by delays when trying to troubleshoot information technology problems, which are now unnecessarily out of their control. To carry out its greater responsibilities, steps need to be taken to expedite the resolution of troubleshooting information technology problems and improve two-way communications between IBB and the Kuwait Transmitting Station.

Memorandum Report, Broadcasting Board of Governors Operations in Kabul (ISP-IB-10-48)

U.S. international broadcasting entities in Kabul play an important role in reporting the news in a country where the local media are still in the development stage. They serve as facilitators of discussions among the Afghans themselves on important issues affecting the future of their nation, thus helping to build civil society.

BBG has two collocated offices in Kabul. The largest is RFE/RL for Radio Azadi, the local name for Radio Free Afghanistan. The service broadcasts 12 hours a day, from 7:00 a.m. to 7:00 p.m., Kabul time, in Dari and Pashto. The second office is the Voice of America (VOA), called Radio Ashna, which broadcasts on the same frequencies during the other 12 hours of the day, from 7:00 p.m. to 7:00 a.m., forming a continuous block. VOA also broadcasts a daily, 1-hour television program.

Because of contradictory and outdated legacy employment laws in Afghanistan, RFE/RL has not yet executed with its Kabul bureau staff the types of employment contracts it offers in its other, more developed locations. OIG recommended that BBG and RFE/RL resolve the issues of the employment status of Radio Azadi bureau's staff and seek ways to provide competitive salaries and benefits to the staff members in Kabul.

FM radio is increasingly popular in Afghanistan; however FM transmitters have a very limited range in the mountainous country. OIG recommended the International Broadcasting Bureau continue to push forward with efforts to expand FM coverage in Afghanistan and determine whether the U.S. military's planned cell phone towers could be used by BBG broadcasters.

Relations between the BBG entities and the Embassy Kabul are generally cordial. The BBG entities rely on embassy support for some shipments. However, the proper procedures for the notification, handling, and conveyance of such shipments have not been communicated to all staff members involved. OIG recommended Embassy Kabul and the International Broadcasting Bureau develop written standard operating procedures for processing International Broadcasting Bureau shipments, including clear instructions about notification and handling.

INVESTIGATIONS

OIG conducted an investigation of a BBG employee who incurred unauthorized official cellular telephone charges in the amount of approximately \$6,000. When interviewed, the subject admitted to misusing the official cellular telephone to call female acquaintances in two different overseas locations. The case was declined for criminal prosecution. On February 26, 2010, BBG proposed termination for the employee for misuse of the cellular telephone and for a lack of candor during the investigation. (09-074)

APPENDIX 1: BBG INVESTIGATIVE ACTIVITIES

Preliminary Inquiries

Opened	0
Closed	0

Investigations

Opened	2
Closed	3
Pending (3/31/10)	2

Criminal Actions

Referrals for Prosecution	0
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	0

Civil Actions

Civil Referrals	0
Civil Judgments	0
Civil Declinations	0

Administrative Referrals

Referrals for Personnel Action	0
Suitability Referrals to DS	0

Administrative Actions

Removals	1
Suspensions	1
Reprimand/Admonishments	0
Debarment Actions	0

Monetary Recoveries

Criminal Fines/Recoveries	\$0
Civil Recoveries	\$0
Administrative Recoveries	\$0
Total Investigative Recoveries	\$0

APPENDIX 2: REPORTS ISSUED

Report Number	Report Title
AUD/IB-10-04	<i>Independent Auditor's Report on the Broadcasting Board of Governors 2009 and 2008 Financial Statements</i>
AUD/IB-10-19	<i>Management Letter Related to the Audit of the Broadcasting Board of Governors 2009 and 2008 Financial Statements</i>
AUD/IT-10-09	<i>Review of the Information Security Program at the Broadcasting Board of Governors</i>
ISP-IB-10-18	<i>Memorandum Report, Broadcasting Board of Governors Operations in Sarajevo</i>
ISP-IB-10-27	<i>Inspection of Limited Scope Inspection of Radio Free Europe/Radio Liberty's New Headquarters in Prague, Czech Republic</i>
ISP-IB-10-28	<i>Inspection of the Broadcasting Board of Governors' Middle East Broadcasting Networks, Inc.</i>
ISP-IB-10-45	<i>Inspection of International Broadcasting Bureau Kuwait Transmitting Station</i>
ISP-IB-10-48	<i>Memorandum Report, Broadcasting Board of Governors Operations in Kabul</i>

APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

Table 1
Inspector General Issued Audit Reports
With Questioned Costs

Type of Report	Number of Reports	Questioned Costs (Dollars in Thousands)	Unsupported Costs (Dollars in Thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	\$0	\$0
B. Which were issued during the reporting period	0	\$0	\$0
Subtotals (A + B)	0	\$0	\$0
C. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs	0	\$0	\$0
(ii) dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0	\$0
Reports for which no management decision was made within 6 months of issuance	0	\$0	\$0

**Table 2: Inspector General Issued Audit Reports
With Recommendations That Funds
Be Put To Better Use**

	Type of Report	Number of Reports	Dollar Value (in Thousands)
A.	For which no management decision has been made by the commencement of the reporting period	0	\$0
B.	Which were issued during the reporting period	0	\$0
	Subtotals (A + B)	0	\$0
C.	For which a management decision was made during the reporting period		
	(i) dollar value of recommendations that were agreed to by management	0	\$0
	*based on proposed management action		
	*based on proposed legislative action		
	(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D.	For which no management decision has been made by the end of the reporting period	0	\$0
	Reports for which no management decision was made within six months of issuance	0	\$0

APPENDIX 4: AUDITS PERFORMED BY CONTRACTORS

Report Number	Report Title
AUD/IB-10-04	<i>Independent Auditor's Report on the Broadcasting Board of Governors 2009 and 2008 Financial Statements</i> Leonard G. Birnbaum and Company, LLP Financial Audit
AUD/IT-10-09	<i>Review of the Information Security Program at the Broadcasting Board of Governors</i> Regis & Associates, PC Information Technology Audit
AUD/IB-10-19	<i>Management Letter Related to the Audit of the Broadcasting Board of Governors 2009 and 2008 Financial Statements</i> Leonard G. Birnbaum and Company, LLP Financial Audit

APPENDIX 5: MANAGEMENT AND PERFORMANCE CHALLENGES

The *Reports Consolidation Act of 2000* requires that the BBG's *Performance Accountability Report* include a statement by the Inspector General that summarizes the most serious management and performance challenges facing BBG and briefly assesses the progress in addressing those challenges. OIG considers the most serious management and performance challenges for the BBG to be in the following areas:

1. Attention to Management and Administrative Operations
2. Managing Broadcast Programs
3. Need for Improved Internal Controls
4. Information Technology
5. Need to Inform Constituencies About BBG's Journalistic Mandate

1. Attention to Management and Administrative Operations

The Voice of America's (VOA) Central News Division, inspected in 2008, continues to address outstanding OIG recommendations. It is creating standard operating procedures for its assignments desk, performance measures for the News Division, and performance standards for its services. However, these projects are awaiting full implementation of the News Division reorganization. Training is underway for the news management system. VOA expects the Paris financial office to be closed in FY 2010 and relocated to the London facility.

Voice of America successfully built the Persian News Network (PNN) formerly Persian Service into its full-fledged network in an extraordinarily short time. It is still working on an organization chart and is in the process of creating a Persian-language news desk. VOA conducted an analysis of administrative support workloads throughout the organization, including PNN, and is analyzing the information before making changes. VOA is seeking ways to provide its PNN managers appropriate managerial training to handle the high-stress environment and to deal with

two cultures and languages and various political and religious points of view. PNN also needs appropriate team building training for management and staff to address unacceptable professional behavior. PNN has located all non-expendable equipment purchased from 2006 to 2008 and now needs to locate all the supporting purchase documentation.

VOA news bureau in London does an excellent job with a reduced staff. One management challenge is to inform the various VOA language services of the studio platform that is available to supplement their programs.

2. Managing Broadcast Programs

There is great interest in PNN in the foreign policy community, and PNN works to achieve open and transparent operations. When PNN expanded rapidly to 6 hours of original daily programming, it engaged people with varying levels of skills and experience. Under these circumstances, maintaining quality presents a challenge. PNN managers work to maintain standards daily. PNN has hired experienced television journalists as contractors to serve as mentors to less experienced staff. It has often enlisted disinterested Persian-speaking experts to provide advisory assistance. This challenge requires vigilance in order for PNN to maintain journalistic credibility.

In 2006, the BBG created Deewa Radio at Voice of America. Its target audience is the Pashtun population on the Pakistan side of that country's troubled border region with Afghanistan. It has an effective system of review in place to ensure that the broadcasted material meets VOA standards for accuracy and balance. If Deewa Radio continues to grow, VOA will have to take into account its staff and size and training requirements to maintain continued effectiveness and quality.

3. Need for Improved Internal Controls

In 2008, BBG received an unqualified opinion on its financial statements for the fourth year. Although this is a significant achievement, BBG needs to continue to improve its internal controls over financial and accounting issues. For example, in its annual report on BBG's FY 2008 financial statements, the independent external auditor identified concerns with the adequacy of BBG's financial and accounting system and with controls over accounts payable.

In a separate management letter, the independent external auditor also identified internal control weaknesses relating to BBG's property records, undelivered orders, purchase card oversight, grants management, and non-personnel expenses.

During FY 2008, BBG transitioned to a new financial service provider, which may correct several internal control weaknesses. BBG also is implementing new controls to address the issues identified. For example, BBG now reconciles information on property from the financial management system to the property database, and it has established an Agency Property Management Office to improve control over property.

4. Information Technology

During FY 2009, BBG formalized its systems inventory management approach, updated its Information Security Incident Response Plan, developed a comprehensive configuration management policy, and enhanced its incidence response program. However, BBG continues to be challenged in implementing a fully effective information security management program. BBG has not performed certification and accreditation (C&A) for all its major information systems. In 2008, only one of BBG's 11 major systems had a completed C&A. In 2009, the status of C&A for the 10 remaining major information systems remained unchanged. In addition, BBG's information security architecture had not been completed, and items identified in the Plan of Actions and Milestones were not actively monitored and validated, with remediation steps to correct the weaknesses not being implemented. As a result, OIG continues to report that BBG is not fully compliant with the statutory requirements of the Federal Information Security Management Act of 2002.

5. Need to Inform Constituencies About BBG's Journalistic Mandate

In the OIG inspections of VOA's Persian News Network and VOA's Deewa Radio, it became clear that many people, both in the United States and abroad, have a conception of the role and mandate of BBG entities that is not consistent with their statutory mandate. OIG is sometimes requested by Congress, for example, to inspect broadcast services or BBG journalistic standards. It is clear that most of the issues raised by Congressional Committees and Members of Congress are more than worthy of examination, but equally clear that some issues would not have been raised if BBG constituencies had a better understanding of BBG's statutory requirements, the journalistic protections provided by the bipartisan board that acts as agency head, and the journalistic codes of its broadcast entities.

OIG believes that ongoing outreach efforts to the Congress and other stakeholders, including at overseas posts, should include a briefing explaining the organization, its mission, and its built-in journalistic protections.

ABBREVIATIONS

A/OPR/GSM	Bureau of Administration, Office of Operations, Office of General Services Management
APP	American Presence Post
ARRA	American Recovery and Reinvestment Act
BBG	Broadcasting Board of Governors
C&A	certification and accreditation
CA	Bureau of Consular Affairs
CFR	compliance follow-up review
CIO	Chief Information Officer
COM	Chief of Mission
COR	contracting officer's representative
CP	contingency plan
CSAF	Customer Service Advisory Forum
DCM	deputy chief of mission
Department	U.S. Department of State
DOD	U.S. Department of Defense
DS	Bureau of Diplomatic Security
DS/EX	Executive Directorate, DS
ECA	Bureau of Educational and Cultural Affairs
ECPO	Emergency Project Coordination Office
FAR	Federal Acquisition Regulation
FISMA	Federal Information Security Management Act
GIG	goal implementation groups
HR	Bureau of Human Resources
HR/PE	Bureau of Human Resources, Office of Performance Evaluation
HVAC	heating, ventilation, and air conditioning
IBWC	International Boundary and Water Commission

ICASS	International Cooperative Administrative Support Services
INL	Bureau of International Narcotics and Law Enforcement Affairs
IRM	Bureau of Information Resource Management
IT	information technology
JAS	joint administrative services
LE	locally employed
MBN	Middle East Broadcasting Networks, Inc.
MERO	Middle East Regional Office
MFO	Multinational Force and Observers
MOU	memorandum of understanding
MSP	Mission Strategic Plan
NEA	Bureau of Near Eastern Affairs
NEC	new embassy compound
NIV	nonimmigrant visa
NGO	nongovernmental organization
OAS	Organization of American States
OBO	Bureau of Overseas Buildings Operations
OFM	Office of Foreign Missions
OIG	Office of Inspector General
OMB	Office of Management and Budget
ONDCP	Office of National Drug Control Policy
PA	Bureau of Public Affairs
PEPFAR	President's Emergency Plan for AIDS Relief
PIERS	Passport Information Electronic Records System
PII	personally identifiable information
PMO	Program Management Office
PM/WRA	Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement
POA&M	plan of action and milestones
PRM	Bureau of Population, Refugees and Migration
RFE/RL	Radio Free Europe/Radio Liberty

RM	Bureau of Resource Management
SAR	Semiannual Report to the Congress
S/GAC	Office of the U.S. Global AIDS Coordinator
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USEU	U.S. Mission to the European Union
USIBWC	International Boundary and Water Commission, United States and Mexico, U.S. Section
USNATO	U.S. Mission to the North Atlantic Treaty Organization
USOAS	U.S. Permanent Mission to the OAS
VOA	Voice of America
VoIP	Voice over Internet Protocol
WHA	Bureau of Western Hemisphere Affairs

INDEX OF REPORTING REQUIREMENTS
INSPECTOR GENERAL ACT OF 1978, AS AMENDED

<i>REQUIREMENT</i>	<i>SUBJECT</i>	<i>PAGE NUMBERS</i>
Section 4(a)(2)	Review of legislation and regulations	15
Section 5(a)(1)	Summary of Significant problems, abuses, and deficiencies	3-12
Section 5(a)(2)	Significant recommendations for corrective action	86-87
Section 5(a)(3)	Prior significant recommendations unimplemented	85-98
Section 5(a)(4)	Matters referred to prosecutive authorities	69-73, 125
Section 5(a)(5)	Information or assistance refused	none
Section 5(a)(6)	List of reports issued	77-82, 129
Section 5(a)(7)	Summaries of significant reports	19-68, 117-123
Section 5(a)(8)	Audit reports—questioned costs	83, 130
Section 5(a)(9)	Audit reports—funds to be put to better use	84, 132
Section 5(a)(10)	Prior audit reports unresolved	100-102
Section 5(a)(11)	Significant revised management decisions	none
Section 5(a)(12)	Significant management decisions with which OIG disagreed	none

